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**THE ROLE OF SMEs IN
HUNGARY, ROMANIA
AND SLOVAKIA**

**by
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2009**

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RESUME

Small and medium-sized enterprises (SMEs), both within the primary and secondary member states of the EU countries, are considered to be really important driving forces in developing innovations and increasing the employment rate, so the only way of success in creating new European economic system is to provide SMEs with preferential role in these procedures. All the Hungarian, Romanian and Slovakian economic policies emphasize the important role of promotion in developing SMEs, in accord with the principle idea 'Think small first!', defined in the Lisbon program of the EU and the European Committee.

The fundamental aim of this study is to analyze the economic role of SMEs in Hungary, Romania and Slovakia, with the method of comparative analysis. The number and rate of SMEs is represented by using the data of the previous decade, and the changing role of this employing sector is also analyzed in the fields of gross added value, net turnover and export sales revenue. Despite the numerous similarities, different tendencies occurred in the three different countries, offering topics for further studies referring to the reasons of differences.

Prior to a comparison of data, this study mentions both the comparability of international data and the macroeconomic environment that surrounds the undertakings of this sector in the individual countries.

1. INTRODUCTION

After the change in the political system, in the countries of Central and Eastern Europe the economic significance of small and medium-sized enterprises (hereinafter referred to as SMEs) has continuously increased. Accordingly, the strengthening of this sector, the support of its development have become one of the important targets of economic policies in every country, but this objective really gained importance with the accession to the European Union. For an identification of the proper directions of economic policy, it is absolutely necessary to have reliable data and analyses that reveal the position of the undertakings.

The system of enterprises-related statistical observations concentrated on small and medium-sized enterprises is just being formed, with three main directions: examination of entrepreneurial thinking and skill, entrepreneurial activity and the environment that has an influence on the undertaking. [Román, 2007, 68.]

This paper focuses on the introduction of *entrepreneurial activity*. Its main purpose is to compare the economic importance of Hungarian, Romanian and Slovakian small and medium-sized enterprises, by analysing the changes with time in the most important indicators related to the number and performance of the undertakings.

Based on the data available¹, uniformities and differences will be presented that are characteristic of the economic parts played by the SME-sectors of the above three countries in employment, net turnover, gross value added and export.

Prior to a comparison of data, it is important to mention both the comparability of international data and the macroeconomic environment that surrounds the undertakings of this sector in the individual countries. Thus, as a secondary purpose, a comparative examination of the said components of the *environment that influences undertakings*, also appears.

¹ Data source: *Hungary*: Central Statistical Office (KSH), Ministry of Economy and Transport (GKM): The position of the small and medium-sized enterprises. Annual reports 2003-2004 and 2005-2006. *Romania*: National Institute of Statistics (INS), National Agency for SMEs and Cooperatives (NASMEC). *Slovakia*: Statistical Office of the Slovak Republic (SUSR), National Agency for Development of SMEs (NADSME)

2.

THE NOTION AND THE ENVIRONMENT OF SMALL AND MEDIUM- SIZED ENTERPRISES

2.1. Approximation of laws in defining small and medium-sized enterprises

The definition by law of the range of small and medium-sized enterprises is carried out on the basis of several criteria. Of them, headcount is primary, most statistics only take this into account when they classify undertakings according to their size. One of the reasons is that other criteria (net sales and the maximum of balance-sheet total, independence criteria) have changed during the years, which makes time comparisons difficult. The other reason is that international statistics, too, only use headcount as group-creating criterion, so spatial comparisons are also only possible in this way.

Hungarian, Romanian and Slovakian legislations related to the definition of SMEs have adapted themselves to the practice of the European Union by raising the recommendation of 1996² issued by the European Commission regarding the

number of employees, to statutory level in 1999³. At that time, the criteria related to the annual net turnover and the balance-sheet total were determined differently country by country. The unification took place in 2004 when all the three countries included the sum limits as per the recommendation of 2003⁴ of the European Commission in their own regulations⁵. The mentioned components of the uniform SME-definition currently in force are shown in table 1. A further component of the definition is that in the undertakings belonging to the SME-sector, the participation of the state and the municipality may not exceed 25%, either separately or jointly. In addition, the recommendation discusses in detail when an undertaking can be considered independent from other undertakings, a partner undertaking or a related undertaking.

It follows from the above that a comparison of the time series related to the SME-sectors of the countries under review is possible from the data of the year 1999, as at that time the three countries already used uniform definitions according to the number of employees. Though further criteria had been different until 2004, they only played part when applications were judged, grants were awarded, and not in

Tab. 1: Definition of small and medium sized enterprises

Size	Total staff	Max. net annual turnover	Max. balance sheet total
Micro	0-9	2 million EUR	2 million EUR
Small	10-49	10 million EUR	10 million EUR
Medium	50-249	50 million EUR	43 million EUR

Source: Commission Recommendation 2003/361/EC, Official Journal L124 20.5.2003. p. 39.

² Commission Recommendation 96/280/EC

³ Hungary: Act no.XCV/1999, Romania: Law.No.133/1999., Slovakia: Act No.231/1999.

⁴ Commission Recommendation 2003/361/EC

⁵ Hungary: Act no.XXXIV/2004, Romania: Law.No.346/2004. Slovakia: Act No.172/2005.

the classification of undertakings for statistical purposes, so this is not going to disturb comparison.

2.2. Macroeconomic environment

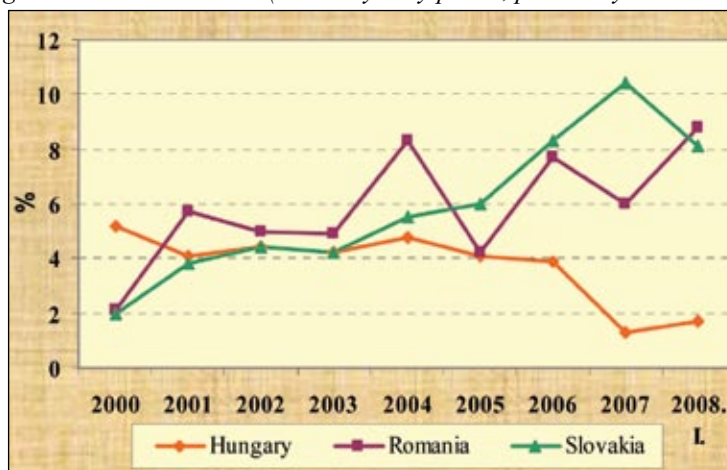
Prior to an analysis of the economic role, importance of small and medium-sized enterprises, it is important to examine the macroeconomic environment that 'surrounds' the sector in individual countries, because the judgement of the performance of the undertakings cannot be made independently from the media they are working in. For this purpose, numerous components of macroeconomic environment could be taken into account, but this paper concentrates on the comparison of three fundamental indicators in the above countries that well characterise the general condition of economy: economic growth, inflation and unemployment.

Economic growth is measured by the annual per cent change of the real value

of gross domestic product (GDP). (Fig. 1) The pace of increase of gross domestic product shows lesser or greater fluctuations in all the three countries, but in the case of Slovakia and Romania, a basically increasing, while in Hungary, a basically decreasing tendency can be observed. From 2001 to 2005, no significant difference can be stated among the data of the three countries, the pace of increase of GDP was in the range of 4-6% p.a. (except Romania's suddenly high growth of 8.3% in 2004). As from 2006, however, the dynamics of Slovakian and Romanian economies have considerably exceeded that of the Hungarian economy, and even reached an outstandingly high level in the whole of the European Union: only two new countries, Latvia and Estonia have had somewhat more intensive economic growth than Slovakia and Romania. [Belyó et al. 2007, 1.]

Naturally, it is not of minor importance either what level of economic performance the individual countries have reached as

Fig. 1: GDP volume index (at 2000 yearly prices, previous year = 100%)



Source: Own construction based on data of KSH, INS, SUSR

a result of the growth presented. In this respect, the most important indicator used in international comparisons is *per-capita GDP* the data of which related to the year 2007 are contained in *Tab. 2*.

For the purposes of international comparison, the data measured at purchasing power parity⁶ are more suitable, because they do not contain the effect of the different price levels of the countries. As it appears, in 2007 Slovakia's indicator was the highest, the Hungarian data was slightly lower (by 6%), which, however, was by 60% higher than the per-capita GDP of Romania. Consequently, the performance level of Slovakian and Hungarian economies are nearly the same, though it is likely, taking into account the paces of growth, that in the several years to come, Slovakia will have a still more significant advantage in economic competition over Hungary than before. For the time being, Romania's performance considerably lags behind that of the other two countries, but the latest growth data allow to conclude that the lag will quickly diminish in the years to come.

The above is also supported by *Fig. 2* where the figures of per-capita GDP of

the individual countries calculated at purchasing power parity, compared to the average of the European Union (27 member-countries) are shown. According to the data, the economic performances of all the three countries lag behind the average of the European Union, but while Slovakia and Romania have got closer and closer to this average during the whole period under review, Hungary has got farther from it after 2006. According to the forecast of Eurostat, Slovakian indicator may exceed 70% in 2008, further increasing its advantage over Hungary. Though Romanian per-capita GDP is only still around 40% of the EU average, this figure implies considerable development, compared to 26% eight years ago.

It can be concluded from the above that during the last nearly ten years, Slovakian and Romanian small and medium-sized enterprises have been able to be a part of their respective dynamically developing economies, at the same time, this development has been attributable, to a significant extent, to the performance of these SMEs (this is proved below in this paper). Though Hungarian small and medium-sized enterprises have not been able to experience the same sort of dynamics, Hungary had,

Tab. 2: GDP per capita, 2007

Country	GDP per capita	
	at current prices	in PPS*
	1000 EUR	
Hungary	10,04	15,98
Romania	5,63	10,00
Slovakia	10,12	17,00
Hungary/Romania	1,78	1,60
Hungary/Slovakia	0,99	0,94

Source: Own calculation based on data of Eurostat *Purchasing Power Standards

⁶ PPP (Purchasing Power Parity): shows how many units of a country's currency have the same purchasing power regarding a certain group of products (here it is GDP) as a unit of the reference currency. The reference currency introduced by Eurostat is PPS (Purchasing Power Standards) which is defined as follows: the purchasing power of 1 PPS is equal to 1 euro at the level of the whole of the European Union. [Oblath, 2005]

until 2005, not lagged considerably behind the two neighbouring countries in either economic growth or performance. (This must be emphasized from the viewpoint of later evaluation of the performance of the SME-sector.)

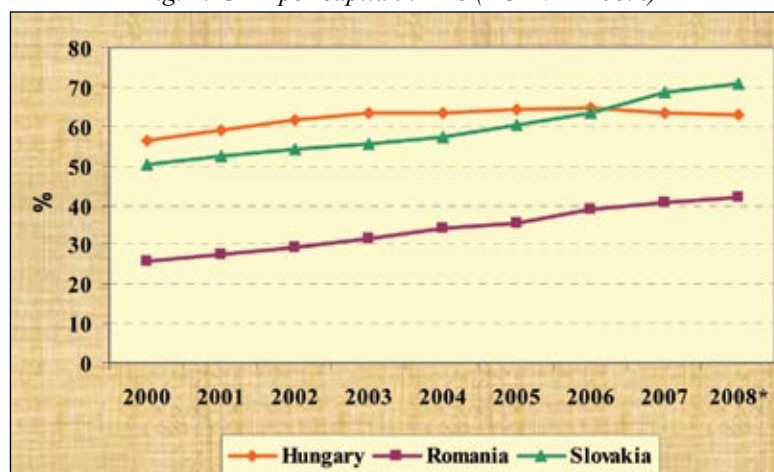
In the economies of all the three countries, there are imbalance factors which may jeopardize the results that have been attained so far, therefore special attention should be paid to them when the national economic policies are formed. Such factors may be, inter alia, foreign trade gap, foreign indebtedness, high central budget deficit or the increase of inflation and unemployment. Of them, the changes in inflation and unemployment have the most direct influence on the activities of small and medium-sized enterprises, so this paper concentrates on them.

The extent of **inflation** has direct and quickly felt influence on domestic solvent demand, and thereby on market opportunities of small and medium-sized

enterprises, who produce first of all to domestic market, and in the final analysis, on their income-producing ability. The shaping of **unemployment** have great influence on the undertakings of the SME-sector from several viewpoints. Firstly, high unemployment may increase so-called involuntary self-employment, this, however, means much rather quantitative than qualitative growth for the sector. Secondly, small and medium-sized enterprises have conventionally played great part in the struggle against unemployment, because in the countries having changed their political systems, it is only this sector that has been able to increase the number of its employees, moderating thereby the disadvantageous labour market tendencies resulting from structural transformation and dismissals from large enterprises. [Ubreziová et al. 2008, 360.]

The generally used indicator to measure inflation is *inflation rate (consumer price index)*, and for unemployment, it is

Fig. 2: GDP per capita in PPS (EU-27 = 100%)



Source: Own construction based on data of Eurostat

* forecast

unemployment rate (registered unemployed/economically active population). The comparison of the data of the three countries under review is contained in *Tab. 3*.

In 2000, Hungary's indicators were the most favourable for both inflation and unemployment, in Romania huge inflation and in Slovakia the rather high unemployment presented severe problems. Examining the changes in data with time, one can conclude that the most considerable improvement has been made by Romanian economy by bringing down inflation the level of which in the first quarter of 2008 was the lowest, considering the three countries. At lesser or greater fluctuations, the extent of Hungarian and Slovakian inflation also decreased during the period under review, but while in Hungary the indicator 'ran up' again in 2007, Slovakia was able to maintain a relatively low level. Slovakia achieved good results

in the struggle against unemployment as well: though of the indicators of the three countries it is still Slovakian unemployment rate that is the highest, a decrease of 10 percentile could be reached in eight years. A continuous improvement can be observed in Romania as well where in the first quarter of 2008 the unemployment rate was the lowest in the three countries. On the other hand, this indicator has slowly, but steadily grown since 2001 in Hungary.

Thus, in Romania and Slovakia favourable, in Hungary unfavourable tendencies have prevailed in both inflation and unemployment. Since, however, it was Hungarian economy that had the best indicators at the beginning of the period, therefore the current level of inflation rates and unemployment rates in the three countries, and from this viewpoint the condition of the three economies, can be considered very similar.

Tab. 3: Comparison of inflation and unemployment rates

Year	Inflation rate (%)			Unemployment rate (%)		
	Hungary	Romania	Slovakia	Hungary	Romania	Slovakia
2000	9,8	40,7	12,0	6,4	10,5	18,6
2001	9,2	30,3	7,3	5,7	8,8	19,2
2002	5,3	17,8	3,3	5,8	8,1	18,5
2003	4,7	14,1	8,5	5,9	7,2	17,4
2004	6,8	9,3	7,5	6,1	6,2	18,1
2005	3,6	8,6	2,7	7,2	5,9	16,2
2006	3,9	4,9	4,5	7,5	5,2	13,3
2007	8,0	6,6	2,5	7,4	4,1	11,0
2008. I.	6,7	3,3	4,4	7,8	3,8	8,3

Source: KSH, INS, SUSR

3.

ECONOMIC IMPORTANCE OF THE SME-SECTOR

3.1. The number and composition of operating small and medium-sized enterprises

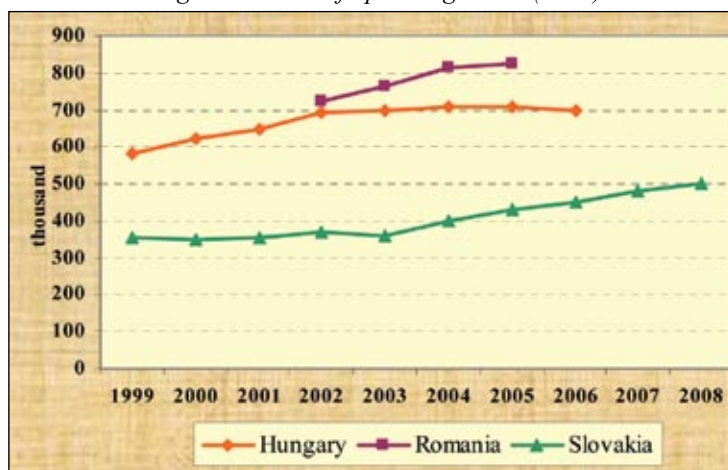
For the purposes of an evaluation of economic performance, it is practical to examine *operating enterprises*⁷ only among registered undertakings, therefore the data in this paper only refer to that range of enterprises. (Fig. 3)

The **number of operating small and medium-sized enterprises** has shown increasing basic tendency in all the three counties in the period under review⁸, in somewhat different manner though. In Hungary, a considerable increase had been experienced from 1999 to 2004 (the

number of SMEs had grown from 580 thousand to 700 thousand), however, since the accession to the EU, this figure has remained stagnant. On the contrary, in Slovakia stagnation can be observed until 2003, and entrepreneurial spirit became lively after the country's accession to the EU: between 2003 and 2008, the number of the undertakings in the SME-sector has risen from 350 thousand to 500 thousand. Unfortunately, the data series for Romania are rather incomplete, but the increasing tendency can well be observed.

A comparison of the number of undertakings in these countries solely on the basis of the data of figure 3 is not suitable, because the sizes of the three economies considerably differ from each other. The indicator *business density* eliminates the differences in sizes by relating the number of undertakings to thousand inhabitants, thus making data comparable to each other (Fig. 4).

Fig. 3: Number of operating SMEs (1000)



Source: Own construction based on data of KSH, INS, SUSR

⁷ Hungarian and Slovakian statistical methodology uniformly defines, in compliance with EU norms, the range of operating undertakings: 'The undertaking had income or employee in the year under review.' (Source: 'KSH' and 'SUSR' websites) The definition used in Romania is somewhat different: 'In the period under review, the undertaking produced products or services, incurred expenses and prepared balance-sheet.' (Source: Romanian Statistical Yearbook 2006. p. 570.) This definition, practically just like the previous one, considers undertakings operating if they show economic activity, thus this difference does not disturb comparison. It is also important to note that statistical data supply related to undertakings is performed in all the three countries by screening out undertakings belonging to the financial sector.

⁸ Due to the reasons described in section 2.1, comparison starts from the year 1999, and is made until the latest data. Unfortunately, the range of data available varies country by country and issue by issue.

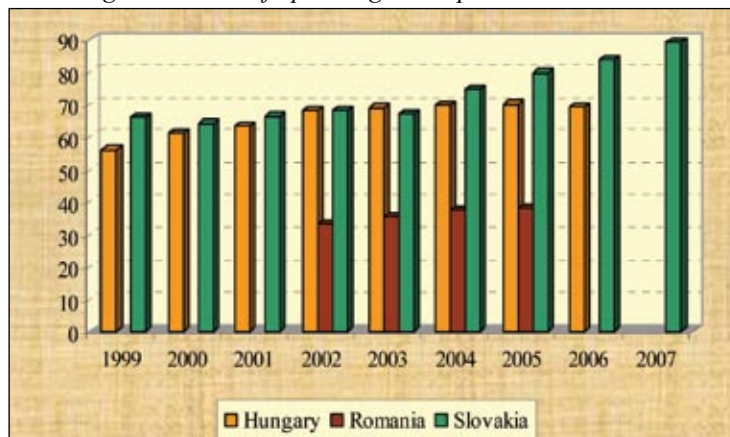
As it appears, Hungarian and Slovakian business density can be considered to be in the same order of magnitude, however, due to the more dynamic increase that can be observed in Slovakia, the latest data already considerably differ: in Hungary approximately 70, in Slovakia nearly 90 undertakings fall on thousand inhabitants. Though the greatest number of small and medium-sized enterprises is found in Romania out of the three countries, still it is the lowest compared to the number of population: it is less than 40 related to thousand inhabitants. According to the data of Eurostat, the number of small and medium-sized enterprises was 40 on average in the European Union for thousand inhabitants in 2005, i.e. Hungarian and especially Slovakian data are highly above the average. However, in an evaluation of data, it should not be left out of consideration that the proportion of undertakings pursued as secondary occupation, that of ostensible entrepreneurs and undertakings belonging to hidden

economy is rather high in Hungary [Román, 2007, 73.], and in Slovakia, a considerable part of undertakings are individual entrepreneurship (Fig. 5).

When **the composition of undertakings** is analysed, the most important grouping criterion is the *size of enterprises* where classification takes place on the basis of the number of employees⁹. (Tab. 4)

In the table, the 99.8-99.9% proportion of SMEs is very conspicuous in all the three countries, which, already in itself, is enough to support that it is absolutely justified to treat this range of undertakings with utmost attention in economic policy. In addition, as it also appears, the proportion of microenterprises is not only the outstandingly highest, but also increased between 1999 and 2005 (considering Hungarian and Slovakian data), first of all at the expense of medium-sized enterprises.

Fig. 4: Number of operating SMEs per 1000 inhabitants



Source: Own construction based on data of KSH, INS, SUSR

Tab. 4: Distribution of operating enterprises by size category, (%)

Size	Hungary		Romania		Slovakia	
	1999	2005	1999	2005	1999	2005
Micro	94,6	95,0	n.a.	93,8	96,2	96,7
Small	4,3	4,2	n.a.	4,8	2,6	2,5
Medium	0,9	0,7	n.a.	1,1	1,0	0,7
SME	99,8	99,9	n.a.	99,8	99,8	99,8
Large	0,2	0,1	n.a.	0,2	0,2	0,2
Total	100,0	100,0	100,0	100,0	100,0	100,0

Source: KSH, NASMEC, SUSR

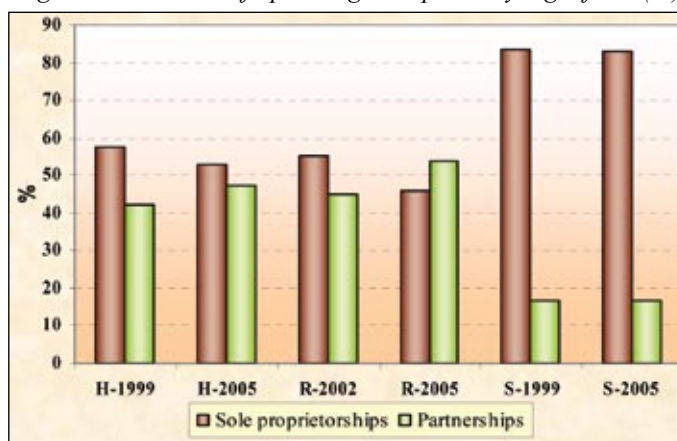
When territorial comparison of the data is made, it can be stated that the number of microenterprises is the smallest in Romania, and the highest in Slovakia, and in the case of small and medium-sized enterprises the situation is just the opposite. In this respect, Hungary is positioned between the two other countries, the *average business size*¹⁰ being bigger in Hungary (6 people) than in Slovakia (5 people), but smaller than in Romania (9 people) (the average of the European

Union was 7 in 2005 [*Flash Eurobarometer 196*, 2007, 11.]).

Examining the composition of undertakings according to two major groups of *undertaking forms* (individual/partnership), we arrive at the following proportions in the three countries (Fig. 5).

Fig. 5 shows the situation in 1999 (the earliest data available for Romania is

Fig. 5: Distribution of operating enterprises by legal form (%)



Source: Own construction based on data of KSH, INS, SUSR

⁹ Those engaged in jobs include employees, individual entrepreneurs, those employed as members of partnerships and assisting family members. The non-full-time individual entrepreneurs and the non-full-time members of partnerships are included with a weight of 0.5. [*Kállay et al.*, 2005, 131.]

of 2002) and in 2005. Compared to the initial period, the proportion of individual entrepreneurship had decreased and that of partnerships had increased in all the three countries, however it was exclusively in Romania's enterprising structure for 2005 that the proportion of partnerships exceeded that of individual entrepreneurship. It is very conspicuous that while in Hungary and Romania, the proportion of the two enterprising groups is nearly 50-50%, in Slovakia, the individual entrepreneurship far outweigh partnerships. Since partnerships employ more employees on average than individual entrepreneurs do, this data series partly explains the previously presented sequence of countries according to average business size.

3.2. The contribution of small and medium-sized enterprises to the economic performance of the countries

One of the important components in an analysis of *entrepreneurial activity* is the observation of performance and competitiveness characteristics of undertakings. This paper compares the contributions of Hungarian, Romanian and Slovakian SME-sectors to the performance of their respective national economies, in the case of four indicators that are the most frequently examined in connection with this issue (employment, gross value added, net turnover, export).

3.2.1. Employment

It was already mentioned that small and medium-sized enterprises play considerable

part in employment in every country, and thus in the struggle against unemployment. One of the central elements of the EU's SME-policy is that the job-creating ability of small and medium-sized enterprises should be further improved. According to the statement of the European Commission: 'While in the USA, the remaining enterprises increase the number of their employees by 60% by the seventh year of their operation, in Europe, the employment extension of remaining enterprises is in the order of 10 to 20%.' [COM(2008)394, 3.] According to the Commission's position, this relatively slower growth of the European SMEs should be enhanced for the success of the European Union in the worldwide economic competition. It is an important task of the lately joined countries, and among them of the three countries surveyed herein, to contribute to the attainment of this purpose. With regard to the importance of this issue, a comparison of the SME-sectors of the three countries is firstly made on the basis of their share in total employment¹¹. (Fig. 6)

The data support the above statement: a greater proportion of employment was associated with small and medium-sized enterprises in all the three countries, and this proportion was on the increase in the period under review. Differences, too, among the countries surveyed are marked:

- During the whole of the period, Hungarian SME-sector had the greatest share in employment, while Romanian one had the smallest. Most probably, one of the reasons therefor is that in Romania, the average business size

¹⁰ The average number of those engaged in jobs, for one undertaking. Data source: the author's own calculations based on the data of KSH, INS, SUSR for 2005.

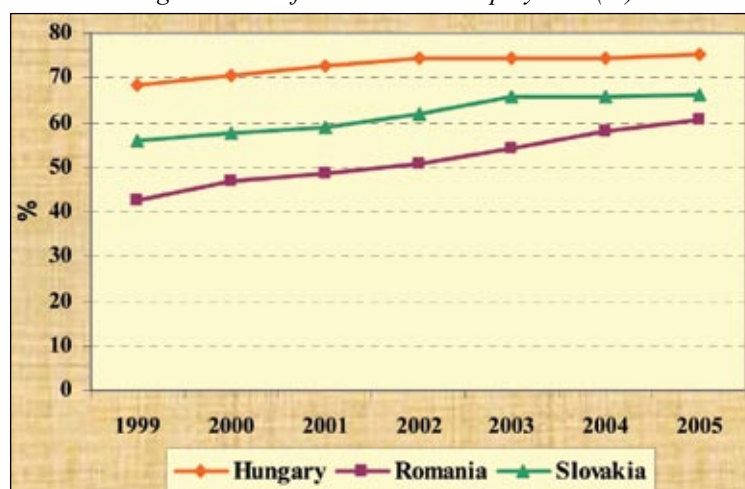
is bigger, which allows to conclude that the concentration of the number of employees in large enterprises is of greater extent than in Hungary.

- Slovakian small and medium-sized enterprises also play less part in employment than Hungarian SMEs. An explanation to that may be offered by the significant difference shown in figure 5: in Slovakia, the proportion of individual entrepreneurship that are less important from the viewpoint of employment is much higher than in Hungary.
- The considerable difference experienced in the data of individual countries in 1999 has continuously decreased during the period under review. This results from the fact that the share in employment of Romanian SMEs that 'started' from the lowest figure has increased by nearly 20% points, while

the proportion in Slovakia has risen by 10, and in Hungary by 7% points.

As a result of the above, the proportion of those employed by small and medium-sized enterprises has reached a high figure in all the three countries; 60 to 75% of employees is connected with this range of enterprises (in the whole of the European Union, this proportion was 67.1% in 2005 [Eurostat 2008, 1.]). A further increase of this proportion is not likely for Hungarian and Slovakian economies. This is supported by the data of the last two years surveyed when stagnation could already be experienced in these two countries. In Romania, however, a further increase of the share of SMEs in employment is expected, because, considering the relatively low business density, the number of small and medium-sized enterprises is likely to increase in the years to come.

Fig. 6: Share of SMEs in total employment (%)



Source: Own construction based on data of GKM, INS, NADSME

¹¹ Here 'total employed' means those engaged in jobs in the competitive sector; the employees in publicly financed institutions are not included in the data series.

3.2.2. Gross value added

The observation of the share of small and medium-sized enterprises in gross value added¹² (Fig. 7) is important, because this allows to make conclusions regarding the share of the sector in produced GDP, thus, in final analysis, to conclude how much SMEs contribute to the country's economic performance and growth.

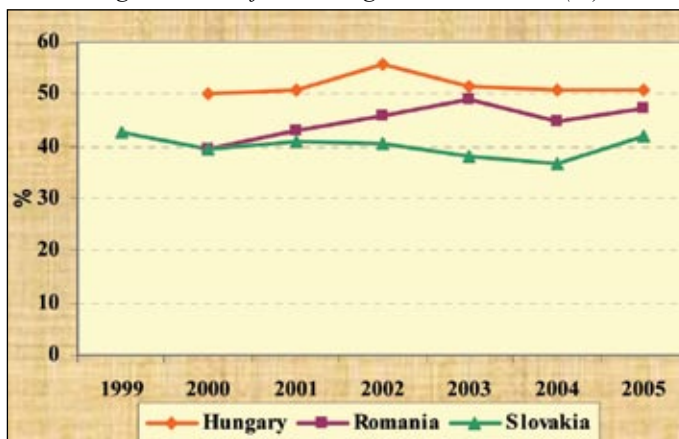
As it appears from the figure, in the whole period under review, Hungarian small and medium-sized enterprises contributed to the largest extent to the production of the country's GDP, while Slovakian SMEs to the smallest. Observing the changes with time in the data series of these two countries, one can practically establish stagnation: in Hungary and in Slovakia, the share of the sector in gross value added is approximately 50% and 40% respectively. In this comparison, Romania is positioned in the middle, and an increasing tendency can only be observed here: from 2000

to 2005, the share of Romanian SMEs in the production of gross value added had increased by approximately 10% points, and by this, almost reached the level of Hungarian small and medium-sized enterprises. In the evaluation of the performance of small and medium-sized enterprises it should be taken into account that the SME-sectors of all the three countries surveyed contributed to the production of gross value added to less extent than the average of the European Union. In 2005, in the European Union, this share was 57.6% [Eurostat 2008, 1.], i.e. though the lag is definite, in none of the above countries it seems to be one that cannot be made up for.

3.2.3. Net turnover

The significance of the observation of net turnover lies with the fact that from its changes conclusions can be made regarding the development, growth of individual enterprises, enterprise

Fig. 7: Share of SMEs in gross value added (%)



Source: Own construction based on data of GKM, INS, NADSME, SUSR

¹² Gross value added is, at corporate level, the difference of total output and intermediate consumption. By aggregating them at the level of national economy, after correction by the balance of product taxes and price supports, GDP can be calculated. As there are no data available about this balance according to business sizes, it is customary to approximate the contribution of individual business sizes to the production of GDP on the basis of the gross value added indicator. [Kállay et al., 2007, 184.]

groups. No comparable data are available concerning the order of magnitude of net turnover, so it is not possible to present the growth/shrinkage of SME-sectors in the three countries on the basis of this. Therefore, following the method applied so far, a comparison of the share of small and medium-sized enterprises in net sales is shown on *Fig. 8*.

Unfortunately, data from Slovakia are not available, therefore it is only possible to compare the data of the other two countries.

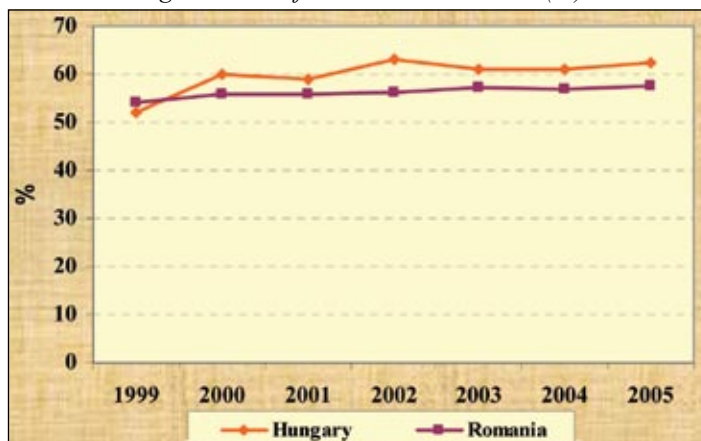
Based on the figure, it can be stated that the share of small and medium-sized enterprises in net turnover has been similar both in Hungary and Romania: a very slight increasing tendency can be observed in the data series. Shares show an about 5% point difference: the share of SMEs is 60 to 62% and 55 to 57% in Hungary and Romania, respectively. In the whole of the European Union, this share was 58.1%

in 2003 [*Eurostat 2006, 2.*], thus, on the basis of this indicator, the performance of Hungarian and Romanian enterprises can be considered average, while that of Slovakian SMEs is below the average.

3.2.4. Export

Of the indicators analysed, it is export sales in which small and medium-sized enterprises have the smallest share in all the three countries (*Fig. 9*). This is not too favourable in the judgement of the performance, competitiveness of SME-sector, but this picture is, in any case, modified by at least two factors. Firstly, the figures of figure 9 only take direct export into account, but small and medium-sized enterprises also contribute, through their supplier relations, to the production of a part of products exported by large companies, so, though indirectly, they do participate in foreign trade. Secondly, the competitiveness of SMEs can obviously not be identified with exporting ability,

Fig. 8: Share of SMEs in net turnover (%)



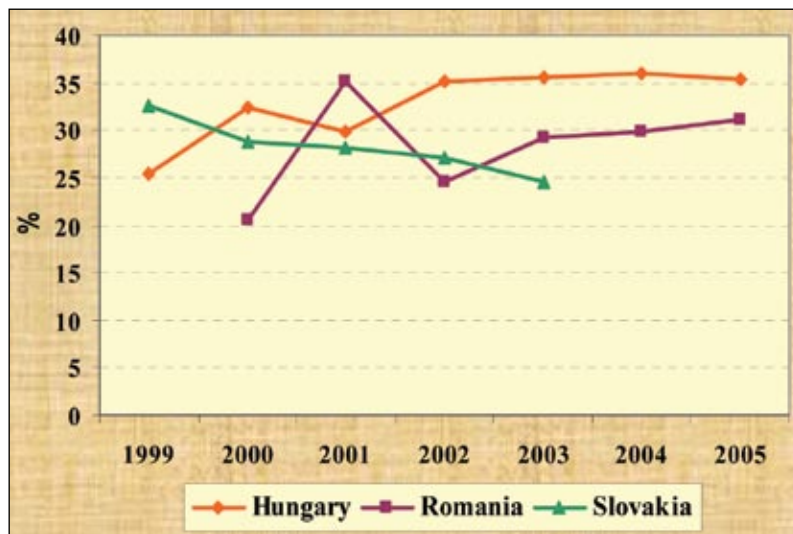
Source: Own construction based on data of GKM, INS

because a significant number of the undertakings of the sector operates in trades where export is either meaningless or is not characteristic (real estate business, services to assist economic activity, retail trade, repair, building industry). [KSH, INS, SUSR]

As far as the changes of data with time are concerned, there are considerable differences among the three countries. The most unfavourable position is held by Slovakian SME-sector, because its share in export had decreased from 32.5% at the beginning of the period below 25% by 2003. Hungarian and Romanian data had, after significant initial fluctuations, shown slightly increasing tendencies, and in the latest years, the contribution of Hungarian SME-sector to export is about 35%, and Romanian indicator seems to stabilize around 30%.

The performance of the SME-sectors of the countries surveyed lags most behind the average of the European Union, which was 41.5% in 2003 in export sales. [Observatory 2003/7, 26.] This indicates that as the share in export of the small and medium-sized enterprises of Hungary and Romania and Slovakia is not only lower, compared to the rest of indicators surveyed, but also lags behind the average of the European Union, therefore the small and medium-sized enterprises of the three countries are less competitive in international markets than an average European SME.

Fig. 9: Share of SMEs in export (%)



Source: Own construction based on data of GKM, INS, NADSME

4.

SUMMARY, CONCLUSIONS

The comparative analysis of economic importance and performance of small and medium-sized enterprises is made difficult by the time changes and spatial differences of statistical methodology and definitions, which also may hinder the establishment of tendencies in the long run, and international comparisons. In all the three countries surveyed in this paper considerable progress has been made in solving the problem by the fact that statistical systems gradually have taken over the recommendations of the European Commission, ensuring thereby the comparability of data. Harmonization of data supply related to SME-sector was started in 1999, therefore the data series presented in this paper start from that year. When the economic roles of Hungarian, Romanian and Slovakian small and medium-sized enterprises are compared it is important to examine the environment surrounding them and influencing their activities, from the numerous components of which three macroeconomic processes were highlighted in this paper (economic growth, inflation, unemployment). As evidenced by analysis, the small and medium-sized enterprises of the three countries operated at the turn of the millennium under very different macroeconomic conditions. Then, the most favourable was the condition of the Hungarian economy in every term as economic growth and performance were the highest in Hungary, and, at the same

time, inflation and unemployment rates were the lowest. Under the effect of the processes presented, however, the situation has basically changed by today. The dynamics of Hungary's economic growth lags far behind those of the other two countries, and as a result, the per-capita GDP of Slovakia has exceeded, and the same indicator of Romania has approximated that of Hungary. In parallel with that, indicators characterising inflation and unemployment have shifted towards equalization, resulting from the fact that Romania and Slovakia have succeeded in breaking both of the unfavourable processes, but Hungary has not, and, considering the tendencies of changes, today it is even the Hungarian economy that faces the greatest difficulties. Thus, the macroeconomic environment of Romanian and Slovakian small and medium-sized enterprises has gradually improved, while that of the Hungarian SMEs has deteriorated, and as a result, by the end of the period, the undertakings of the countries surveyed have been able to operate under nearly the same conditions.

In all the three countries, small and medium-sized enterprises constitute the backbone of economy, resulting from the fact that 99.8-99.9% of undertakings belong to this sector. In this respect, three main similarities can be observed among the countries: the number of small and medium-sized enterprises, business density and the proportion of microenterprises show an increasing tendency. But there is a difference in the fact that in Romania, business density is considerably lower

than in the other two countries, and, in addition, the proportion of microenterprises and individual entrepreneurships is also smaller. In Slovakia, the proportion of microenterprises is the highest, and that of individual entrepreneurships is outstandingly high, which explains why the average business size is the smallest. Based on each indicator, Hungary's data are practically positioned between those of the other two countries.

The significant part that small and medium-sized enterprises play in employment gives even more strength to the statement that SME-sector really constitutes the backbone of economy both in the three countries surveyed, and in the whole of the European Union (approximately two thirds of employees are connected with this sector). One of the measures of the competitiveness of small and medium-sized enterprises may be whether they are able to increase, or at least maintain, their part played in employment, whether they are capable of creating jobs, and contribute thereby to the economic development, and, in final account, to the well-being of local and regional communities.

According to the further three indicators used for the evaluation of the economic role of the sector (gross value added, net turnover, export), in the whole of the period, apart from few exceptions, Hungarian small and medium-sized enterprises contributed to the greatest extent to the economic performance of the country, but the performance of Romanian SME-sector positioned in the middle in the comparison, and that of Slovakian SME-sector coming

in the end, did not show considerable lag behind the performance of Hungarian undertakings either. Considering time changes, the data series are characterised mostly by stagnation, especially at the end of the period under review. Of the indicators, it is on the basis of net turnover that the importance of the countries' small and medium-sized enterprises have the greatest importance (about 60%), and, at the same time, this is the only indicator that more or less complies with the average of the European Union. On the basis of gross value added, the importance of SMEs is only about 40-50% which falls short of the average of the European Union. Export sales represent the field where the share of small and medium-sized enterprises is the smallest (25 to 35%), and, at the same time, the shortfall compared to the average of the European Union is the biggest.

In compliance with the Lisbon Programme of the European Union and the 'Think Small First!' principle formulated by the European Commission, the economic policies of all the three countries lay great stress on the promotion of the development of small and medium-sized enterprises. Hungary, Romania and Slovakia will be able to contribute to the creation of Europe's new, more competitive economic system if the objectives set to facilitate the operation, to encourage the performance of SMEs are implemented in practice as well, and as a result, small and medium-sized enterprises will be able to take up the role of pulling power for the European economy to an even greater extent than before.

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