Role of small and medium-sized enterprises in economies of Poland and Slovakia - comparative analysis

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Role of Small and Medium-Sized Enterprises
In Economies of Poland and Slovakia
- Comparative Analysis

1. Introduction

The growing role of small and medium-sized enterprises (SMEs) in national economies of Western European countries became the new phenomenon of economic development at the end of 20th century. Expansion of SMEs is dated back to the seventies and was especially strong in Great Britain. The European Union (EU) as well as its Member States continuously try to improve and create the best conditions for SMEs development. The economic integration in Europe has been a challenge for already existing private-owned companies, microenterprises, and other companies of SME sector. They need to learn how to compete in enlarged integrated market, and what is equally important all companies need to take globalization and integration processes into consideration. The aim of paper is to present the role and importance of small and medium-sized enterprises in two selected countries, that is Poland and Slovakia.

2. The Importance of Small and Medium-sized Enterprises

Since 1989, the governments of the transition countries have undertaken a process of economic transformation, whose essence consisted of the creation of the private sector by privatization of existing state owned companies and by the development of entrepreneurship and creation of SMEs. Small and medium-sized enterprises are of successful European economies, the key source of the job opportunities and “fertile land” of enterprises ideas. These forms of entrepreneurship are the base of social – economic
development in Europe. Small and medium-sized enterprises have strong impact on the
economy of each country, but their development is dependent on the general state of the
national economy as well as on the economic conjuncture in other European countries.

Joseph Schumpeter has formulated theoretical reasons behind the thesis about the
importance of SMEs for economic development. According to his creative destruction
thesis, capitalist economies cannot function efficiently without the continuous creation of
new firms. Their birth and growth is possible thanks to the downfalls of the others and it
forces the closure of inefficient companies leading to an overall improvement of economic
efficiency.

The need of SMEs development has been rightly by economic policy makers at
both European and national levels. The EU has considered SMEs, in the European Charter
for Small Enterprises, as a backbone of the European economy. The Charter considers also
SMEs to be the main driver for innovation as well as social integration and local
development in Europe. SMEs are thought to be the key source of jobs and a fertile ground
for testing new business ideas. That is why the EU has advised to “take SMEs seriously”
and has suggested new ideas for public policies.

At present there are about 23 million of SMEs in the EU, which is 99.8% of all
firms performing in the EU. They employ about 53% of labour force. Governments search
for new ways to support SMEs. It is said that the most mature system for the functioning of
SMEs can be found in Germany, where SMEs cooperate with large enterprises. That is
why German SMEs employ more labour force than other EU Member States (65%) and
they contribute more to the country’s GDP.

The beginning of the nineties brought a boom of private entrepreneurship and
Poland and Slovakia. The situation where Polish and Slovak citizens gained free and equal
access to many branches of economy created great opportunities for the development of
private enterprises. The removal of legal barriers that hindered the development of private
initiatives in a state-controlled economy enabled people to open their own businesses. New
economic conditions proved a great opportunity for the development of private firms,
especially for small and medium-sized enterprises.

Of the many functions traditionally ascribed to the SME sector, the most important
in Poland and Slovakia seems to be the function of cushion against unemployment (in both
countries the unemployment rate is one of the highest in the EU) and a factor contributing
to the local economy’s stability. Both, Polish and Slovak SMEs are weak in creating and
diffusing innovations, they have little share in exports and have small significance in
production of technologically advanced goods. Yet, the development of SME sector in Poland and Slovakia can be called a success, if we evaluate their contribution against the background of collapsing state-owned enterprises. One should note however that SME ‘success’ appears to be fragile and that the overall performance of the sector depends on the right choice of public policy instruments serving to improve the conditions of their functioning (Surdej, 2000).

3. Material and Methods

The main focus of the article is to put on the role of small and medium-sized enterprises in Polish and Slovak economies. The authors use and examine available statistical data concerning SMEs in Poland and Slovakia. The aim of the paper is to investigate the impact of small and medium-sized enterprises on the Polish and Slovak economies. The paper analyses the state of the sector of small and medium-sized enterprises in both countries, seeking to understand the causes of its relative strength and weakness. In particular, the authors examine the question of whether the development of SMEs along the current lines would positively contribution to the sustainable development of the Polish and Slovak economies.

In order to investigate the research problem the two main methods were used. First of all the authors have reviewed the academic literature in search for theoretical background. From the vast literature we have chosen the position characterized by the relevance to the research problem. Secondly we have conducted the analyses of state statistical data. The analyses are based on statistical data available from the Polish Central Statistical Office (Główny Urząd Statystyczny, GUS) and Statistical office of the Slovak Republic (Štatistický úrad Slovenskej republiky, SUSR). For comparison the data of EUROSTAT were also used. State statistics were used to verify the given hypothesis. Empirical research was based mainly on available state statistics. After analyzing the two selected countries separately, the authors tried to draw conclusions by comparing the situations in Poland and Slovakia. Where it was appropriate data on small and medium-sized enterprises (SMEs) were compared to data on large-sized enterprises (LSEs).
4. Results and Discussion

4.1. Small and Medium-Sized Enterprises in Poland

In Poland the size of small and medium-sized enterprise has been defined by Act of 22 July 2004 on freedom of establishment and the definition of SMEs is convergent with the European Union recommendation. The fast growth of small private companies in the first years after the start of postcommunist transformations can be considered one of the greatest successes of the Polish economic reforms.

At the end of the year 2006 there were in Poland over 3.63 million of SMEs, which accounts for 99.87% of all registered firms (Table 1). Micro enterprises amounted to 95.05%, small to 4.05%, medium-sized to 0.78% and large to 0.13% of all registered enterprises in Poland.

Table 1. Number of registered enterprises in Poland in the years 1991-2007

<table>
<thead>
<tr>
<th>Years</th>
<th>Total</th>
<th>micro</th>
<th>Small</th>
<th>medium</th>
<th>SMEs</th>
<th>large</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>502 275</td>
<td>375 560</td>
<td>120 876</td>
<td>24 775</td>
<td>494 211</td>
<td>8 064</td>
</tr>
<tr>
<td>1992</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>1993</td>
<td>1 988 079</td>
<td>1 812 347</td>
<td>144 862</td>
<td>23 496</td>
<td>1 980 705</td>
<td>7 374</td>
</tr>
<tr>
<td>1994</td>
<td>2 099 577</td>
<td>1 921 151</td>
<td>148 779</td>
<td>23 218</td>
<td>2 093 148</td>
<td>6 429</td>
</tr>
<tr>
<td>1995</td>
<td>2 301 972</td>
<td>2 109 598</td>
<td>160 602</td>
<td>24 474</td>
<td>2 294 665</td>
<td>7 307</td>
</tr>
<tr>
<td>1996</td>
<td>2 379 949</td>
<td>2 191 892</td>
<td>157 530</td>
<td>24 062</td>
<td>2 373 484</td>
<td>6 465</td>
</tr>
<tr>
<td>1997</td>
<td>2 552 649</td>
<td>2 359 624</td>
<td>162 178</td>
<td>24 603</td>
<td>2 546 405</td>
<td>6 244</td>
</tr>
<tr>
<td>1998</td>
<td>2 679 697</td>
<td>2 591 499</td>
<td>169 511</td>
<td>25 452</td>
<td>2 786 462</td>
<td>6 235</td>
</tr>
<tr>
<td>1999</td>
<td>3 013 876</td>
<td>2 865 517</td>
<td>113 057</td>
<td>28 870</td>
<td>3 007 444</td>
<td>6 432</td>
</tr>
<tr>
<td>2000</td>
<td>3 182 577</td>
<td>3 029 859</td>
<td>117 200</td>
<td>29 102</td>
<td>3 176 161</td>
<td>6 416</td>
</tr>
<tr>
<td>2001</td>
<td>3 374 956</td>
<td>3 206 452</td>
<td>131 106</td>
<td>30 809</td>
<td>3 368 366</td>
<td>6 589</td>
</tr>
<tr>
<td>2002</td>
<td>3 468 218</td>
<td>3 302 411</td>
<td>131 480</td>
<td>28 884</td>
<td>3 462 775</td>
<td>5 443</td>
</tr>
<tr>
<td>2003</td>
<td>3 581 593</td>
<td>3 410 233</td>
<td>137 974</td>
<td>28 329</td>
<td>3 576 536</td>
<td>5 057</td>
</tr>
<tr>
<td>2004</td>
<td>3 576 830</td>
<td>3 402 150</td>
<td>141 499</td>
<td>28 309</td>
<td>3 571 958</td>
<td>4 872</td>
</tr>
<tr>
<td>2005</td>
<td>3 615 621</td>
<td>3 436 841</td>
<td>145 745</td>
<td>28 343</td>
<td>3 610 929</td>
<td>4 692</td>
</tr>
<tr>
<td>2006</td>
<td>3 636 039</td>
<td>3 455 565</td>
<td>147 393</td>
<td>28 406</td>
<td>3 631 364</td>
<td>4 675</td>
</tr>
<tr>
<td>2007</td>
<td>3 685 608</td>
<td>3 502 303</td>
<td>150 128</td>
<td>28 462</td>
<td>3 680 893</td>
<td>4 715</td>
</tr>
</tbody>
</table>

Note: Microenterprises: 0-9 employees (0-5 in 1991-1998); Small enterprises: 10-49 employees (6-49 in 1991-1998); Medium enterprises: 50-249 employees; Large enterprises: 250 employees and above
Source: Authors’ calculations based on GUS data

Most SMEs function locally, which is confirmed by the data showing that they receive approximately 97% of revenues from local sale. Most of them do not operate in the
whole country, nor export. SMEs in Poland developed dynamically up to 1999. It seems that the prosperity period for them is over (figure 1 and 2).

![Figure 1. Number of SMEs in Poland in the years 1991-2007](image1)

Source: Authors’ calculations based on GUS data

![Figure 2. Share of SMEs in total number of enterprises in Poland in 1990-2007](image2)

Source: Authors’ calculations based on GUS data
The SME sector is the most important employer in Poland. Only in the period from 1990 till 1994 these companies created 1.5 million new jobs (Woodward, 1999). Private sector in Poland employs almost 8.5 million people in 2000, of which 47% were employed in small firms, while 19.90% in medium-sized and 33.10% in large enterprises. The SME sector as a whole accounts for 68.1% of employment in 2004 (figure 3). While the number of workplaces in large firms is decreasing, SME sector still create new workplaces. Polish small enterprise employs average 2 workers, while an EU enterprise average 6 people. SMEs in Poland create workplaces for about 45% of young people (up to 30 years old). 10% of total employees are employed in the youngest firms (which operate up to one year). An average number of employees in the youngest firms is 1.6 person.

![Figure 3. Share of SMEs in total employment in Poland in the years 1990-2005](source: Authors’ calculations based on GUS data)

The second half of the 1990s strengthened the position of Polish SMEs, but their development was not very spectacular neither in quantitative, nor in qualitative terms. In 2005, SMEs accounted for 47.7% of GDP (47.9% in 2004), whereas small enterprises, that is enterprises employing less than 50 persons accounted for 30.7% (30.9% in 2004) of the Polish GDP (figure 4). This share has been relatively stable as for several years it used to grow or fall within a range of 0.5 %. The share of SMEs in gross added value amounted to 54.4% in 2004 and 54.2% in 2005 (figure 5).

The development of SMEs in Poland has followed some universal patterns. They are concentrated in economic areas with low capital requirements: almost 45% functions in
trade and reparation sector or real estate as well as business and educational “knowledge” services. In addition, SMEs display a relatively high birth and death rates as yearly approximately 8-9% of SMEs cease their activities, whereas approximately 9-10% are newly registered, which leads to an average rate of growth of approximately 2%.

Figure 4. Share of SMEs in GDP of Poland in the years 1995-2005
Source: Authors’ calculations based on GUS data

Figure 5. Share of Polish SMEs in value added generated by enterprises in 1995-2005
Source: Authors’ calculations based on GUS data

Small entrepreneurship is diverse throughout Poland. The average small entrepreneurship ratio is 44.5, while the highest is in Mazowieckie Region 55.2, and the lowest in Podkarpackie Region 30. In addition, Polish SMEs tend to be concentrated in wealthier regions (in the richest regions more than 10% of the population owns their own firm, in the poorest approximately 7%). This fact contradicts hopes of some policy makers
that SMEs might act as a cushion against such social problems like unemployment and poverty severely affecting the poorer regions of Poland.

The growth of Polish SMEs has been limited by the fact they finance their investments in approximately 70% from their own sources and only for 25% from commercial loans, the rest coming from public grants. This ratio points to the existence of several factors both on the side of entrepreneurs and financial sector which reduce ability and possibility to use external financing. One of the most important factors is the unwillingness of entrepreneurs to transform their businesses from family activities into impersonal, statute-based commercial undertakings. Unfortunately the amount of SMEs has been decreasing since 1999. Less and less new firms are set up. In 2001 only 350 thousands of new SMEs were created, while in 2002 between 240-2780 thousands. The main barrier of creating new workplaces in Polish SMEs is high workplace costs. Each 100 PLN paid for an employee means 90 PLN paid by an employer for social security and Revenue Office.

Among unfavourable factors there are unclear and unsteady law and regulations, bureaucracy (too high public and local obligations), intensive competitiveness, high costs of bank credit, bad condition of world’s economy as well as huge problems with exacting amount dues. However, small firms even in the period of recession can create new workplaces with low costs. They are able to absorb and manage workforce even poor-qualified. SMEs much better react to market signals than large firms, which makes them more flexible. The most numerous group of firms on Polish market is micro-firms employing up to 9 people. Public support for SME sector is provided by a governmental agency subordinate to the Ministry of the Economy of the Republic of Poland called Polish Agency for Enterprise Development (PARP)\(^1\).

### 4.2. Small and Medium-Sized Enterprises in Slovakia

In Slovakia the size of small and medium-sized enterprise has been defined by *Act No. 100/1995 on State Support for development of small and medium-sized enterprises*. In 1999 Act No. 100/1995 was substituted for *Act No. 231/1999 of State Support* and “small and medium-sized enterprise” is defined according to the European Union definition. In Slovakia there is not an official definition of “micro enterprise”. This group is presented as “a sub group - tradesman” of small enterprise. The period of the Slovak’s accession into

the European Union is very important from the viewpoint to find a permanent state on common market for small and medium enterprises, to adapt them to the new social and economic conditions and successfully to reduce the difference in economic area.

### Table 2. Number of registered enterprises in Slovakia in the years 1993-2007

<table>
<thead>
<tr>
<th>Years</th>
<th>Total</th>
<th>Enterprises by size</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>micro</td>
</tr>
<tr>
<td>1993</td>
<td>292 460</td>
<td>264 090</td>
</tr>
<tr>
<td>1994</td>
<td>301 184</td>
<td>263 733</td>
</tr>
<tr>
<td>1995</td>
<td>293 757</td>
<td>248 204</td>
</tr>
<tr>
<td>1996</td>
<td>297 574</td>
<td>241 199</td>
</tr>
<tr>
<td>1997</td>
<td>301 232</td>
<td>244 419</td>
</tr>
<tr>
<td>1998</td>
<td>314 804</td>
<td>263 733</td>
</tr>
<tr>
<td>1999</td>
<td>325 236</td>
<td>266 903</td>
</tr>
<tr>
<td>2000</td>
<td>330 243</td>
<td>269 323</td>
</tr>
<tr>
<td>2001</td>
<td>342 464</td>
<td>279 597</td>
</tr>
<tr>
<td>2002</td>
<td>334 148</td>
<td>274 630</td>
</tr>
<tr>
<td>2003</td>
<td>370 776</td>
<td>306 356</td>
</tr>
<tr>
<td>2004</td>
<td>410 833</td>
<td>336 640</td>
</tr>
<tr>
<td>2005</td>
<td>428 580</td>
<td>344 870</td>
</tr>
<tr>
<td>2006</td>
<td>485 007</td>
<td>384 713</td>
</tr>
<tr>
<td>2007*</td>
<td>488 344</td>
<td>386 815</td>
</tr>
</tbody>
</table>

* estimated data for 2007


**Source:** Authors’ calculations based on SUSR data

**Figure 6. Share of SMEs in total number of enterprises in Slovakia in 1993-2007**

Source: Authors’ calculations based on SUSR data
At the end of 2006 there were in Slovakia over 0.48 million of SMEs, which accounts for 99.8% of all registered firms (table 2 and figure 6). Microenterprises amounted to 79.3%, small to 19.8%, medium to 0.67% and large enterprise to 0.17% of all registered enterprises in Slovakia.

Small and medium-sized entrepreneurs have presented an important role in an employment of the national economy. Trend of development of small and medium-sized enterprises in connection with employment has been affecting a decrease of employment in large enterprises. Since 1999, the number of workers has decreased by 30.7% in large enterprises, in spite of small and medium enterprises (SMEs) the number increase by about 31.9%. The SME sector as a whole accounts for 61.25% of employment in 2007 (figure 7).

![Figure 7. Share of SMEs in total employment in Slovakia in the years 1993-2007](source: Authors’ elaboration based on SURS data)

SMEs are a dynamic sector of the Slovak economy which creates almost 50% of the added value and provides over 60% of all jobs. In 2005 the SMEs accounted for 42% of GDP, at the same time the trend in the couple of previous years is very positive (figure 8).
Entrepreneurship, especially small and medium-sized enterprises, is extended in the whole Slovakia. From the viewpoint of regional structure most of enterprises are located in Bratislavsky region (30.4%), Košicky region (11.8%), Žilinsky region (10.1%) and Trenčiansky region (10.1%). On the other hand, the least of enterprises were registered in Nitriansky region (8.9%), Trnavsky region (9.2%) and Banskobystricky region (9.6%). From the viewpoint of branch structure a lot of enterprises are operated in trade (33%), building industry (18%), industrial production (17%), real estate and tenancy as well as rentals (14%). There are 9 472 farmers (individuals - physical persons). According to the data of development of legal persons, the Statistical Office in Slovakia has registered 126 777 legal persons (83 710 of enterprises and 43 067 non profit organizations).

National Agency for Development of Small and Medium Enterprises (NADSME)\(^2\) supports the initiation, development and growth of small and medium-sized enterprises in Slovakia while respecting state, structural, industrial, technical, regional and social politics. NADSME is a professional association of legal entities whose members are three organizations including Ministry of Economy of the Slovak Republic, Slovak Association of Entrepreneurs and Slovak Association of Crafts. NADSME actively monitors the development and state of entrepreneurship in these areas and accordingly prepares and implements a wide range of financial support programmes as well as organises training and counselling programmes that reflect needs of entrepreneurs while increasing the competitiveness of the whole economy. Contribution programmes have attracted much

\(^2\) Národná agentúra pre rozvoj malého a stredného podnikania, NADSME – http://www.nadsme.sk.
attention of the entrepreneurial public. The most important programmes for starting entrepreneurs are still counselling and training programmes, which eliminate barriers of inadequate managerial skills and insufficient knowledge of complex legal frame from the side of entrepreneurs. Support programmes activities are divided into four main areas: stimulation of the SME sector growth; improvement of the competitiveness of SMEs; globalization and penetration into new markets; facilitation of access of SMEs to capital.

Business and technological incubators are a very important part of the support infrastructure for SMEs in Slovakia. Their mission is to provide starting entrepreneurs with suitable starting conditions for the operation of their enterprise during the period of at least 3 years. Apart from the business premises, the entrepreneurs can use the office infrastructure, counselling and training services and in some cases also starting capital. Companies with innovative business plans are offered also specially equipped premises such as laboratories and testing space by selected technological incubators. In 2006, investments were made into 6 incubators in Gelnica, Handlová, Martin, Moldava nad Bodvou, Rimavská Sobota a Spišská Nová Ves. Incubators were supported from the Structural funds – SOP Industry and Services in the total, of which 96.2% was used for the construction and 3.8% was invested into the incubators’ equipment. Funds from the state budget in the amount of 500 000 SKK were used for the engineering development of the business incubator in Moldava nad Bodvou. These funds were already allocated in 2005 under the state programme - The support of SMEs through the network of incubators and the implementation of the research-based spinoff method. For the purposes of co-financing of operational costs of incubators, no financial means were allocated from the state budget under the same programme in 2006. Until the end of the year 2006, 15 incubators were in operation in Slovakia supporting newly created companies in regions. A significant factor of investments into the network of incubators is the impact on the employment rate in regions. In the direct connection with the operation and activities of incubators, 845 job opportunities were created.

The penetration of Slovak SMEs into new markets can be achieved only by means of target activities aimed at the development of international co-operation such as presentation of entrepreneurs at exhibitions and contractual fairs, search for new contacts with the use of all modern electronic systems and media, as well as the spread of knowledge on the legislation system of changing commercial scope. Support activities carried out in this sphere enable faster adaptation of SMEs on new conditions in the competitive EU environment as well as out of it.
4. Conclusions

The SME sector is one of the factors that contribute to economic growth in every country on the national and regional level, and it holds true to Poland and Slovakia. Although this sector grew most rapidly during the beginning transition period, it still retains its significant role in the economic growth in both countries - Poland and Slovakia. Analyzing the provided statistical data and material allows to draw the following conclusions:

- The share of SME sector in all registered enterprises in both countries Poland and Slovakia is convergent with that for the whole EU average and it amounts to 99.8%.
- The share of medium-sized as well as large enterprises in both countries Poland and Slovakia is similar and amounts approximately to 0.7% for medium-sized enterprises (0.78% in Poland and 0.67% in Slovakia) and 0.1% for large enterprises (0.13% in Poland and 0.17% in Slovakia).
- Almost 1/5 of all registered enterprises in Slovakia belongs to small enterprises (19.8%), which is the highest feature in the EU-25, while in Poland small enterprises stand for 4.1% of all registered enterprises.
- The majority of all Polish enterprises are microenterprises, which amounts to 95% of all enterprises in Poland, which is the highest feature in the EU-25, while in Slovakia the share of microenterprises amounts to 79.3% which is the lowest feature in the EU-25. It means that the situation in Slovakia seems to be better for the economy, as the microenterprises do not provide huge impact for national employment and GDP.
- In Poland as well as Slovakia the share of SMEs in total employment is crucial and extended 60%, however the share in Poland amounts to 68.1% and in Slovakia to 61.2%. It means that SMEs in Poland play a bit more important social role.
- Share of SMEs in value added generated by enterprises in Poland as well as Slovakia is also very important. Polish SMEs provide almost 68.2% of value added, while the share for Slovak SMEs is much lower and amounts to 42.0%. Polish SMEs provides almost a half of GDP.
- The supporting system for private entrepreneurship in both countries (Poland and Slovakia) is very similar and the entrepreneurs are usually satisfied with the proposed offer and help.
- Entrepreneurial activities of Polish society are bigger that of Slovak society, measured by the entrepreneurial ratio, that is the number of enterprises per 1000 inhabitants (figure 9).
The fact is that both countries Poland and Slovakia have a lot in common, mainly because of similar background and transformation period, nevertheless entrepreneurship as well as small and medium-sized enterprises’ indicators for these two countries are a bit different (compare table 3). The main entrepreneurial indicators for Poland are convergent to the average indicators for the whole European Union (EU-25), while the same indicators are a bit behind for Slovakia.

Table 3. Synthetic comparison of SMEs in Poland and Slovakia (data for 2003)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>EU-25</th>
<th>Poland</th>
<th>Slovakia</th>
</tr>
</thead>
<tbody>
<tr>
<td>share of SMEs in total number of enterprises</td>
<td>99,8%</td>
<td>99,8%</td>
<td>99,8%</td>
</tr>
<tr>
<td>share of SMEs in employment</td>
<td>67,1%</td>
<td>68,3%</td>
<td>61,7%</td>
</tr>
<tr>
<td>share of SMEs in GDP</td>
<td>57,3%</td>
<td>48,3%</td>
<td>41,6%</td>
</tr>
<tr>
<td>share of SMEs in value added generated by enterprises</td>
<td>n/a</td>
<td>69,5%</td>
<td>38,2%</td>
</tr>
<tr>
<td>share of SMEs in national turnover</td>
<td>52,1%</td>
<td>61,9%</td>
<td>48,4%</td>
</tr>
<tr>
<td>entrepreneurial ratio (enterprises per 1000 inhabitants)</td>
<td>n/a</td>
<td>44</td>
<td>23</td>
</tr>
</tbody>
</table>

Source: Authors’ elaboration based on data of EUROSTAT, GUS and SURS
The present-day conditions and development strategies of Polish and Slovak SMEs are diverse depending on particular sectors. It seems that the competitiveness of Polish and Slovak SMEs will be most strongly affected by macroeconomic policy, by regulatory reforms reducing barriers to SMEs creation and by mega trends in external business environment. The accession to the EU has certainly inspired the development of new institutional forms of supporting SMEs. New opportunities resulting from the European integration might give a stimulus for the growth of Polish and Slovak SMEs. Entrepreneurship and organic growth of small and medium-sized enterprises is certainly the most important challenge for Polish as well as Slovak economy in 21st century. A great number of projects aimed at promoting local entrepreneurship are being carried out in Poland and Slovakia, many of them co-financed by EU funds. They are mainly training, workshops, and other incentives aimed at providing funds for the start-up period. This kind of assistance will be intensified between 2007-2013, when funds from the new programming period will have been available.

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