

## **Economic Crisis and Its Impact on SMEs: the Case of Visegrad Group Countries**



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### **A B S T R A C T**

*The paper is focused on small and medium-sized entrepreneurship (SME) and its position within the European economy, especially Visegrad group countries. The Visegrad group economies are highly export-oriented and SMEs have a significant share of total exports. In the introduction of the paper authors present the importance of SMEs and entrepreneurship within the EU economies and the basic structure of SMEs. The second part of the paper contains an analysis of the development of the SME in the Visegrad group countries. As SMEs existence seems to be significant driven force for exports, there is also mentioned the contemporary economic crisis and its potential impact on SMEs.*

**KEW WORDS:** *SMEs, economic crisis, European Union, Visegrad group*

### **Introduction**

Within small and medium-sized enterprises, the following size groups are differentiated depending on the number of employed persons (this classification is based on Recommendation 2003/361/EC (in effect since 1 January 2005):

- between 1 and 9 (micro-enterprises);
- between 10 and 99 (small enterprises);

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- between 100 and 249 (medium-sized enterprises).

They should also have an annual turnover of up to EUR 50 million, or a balance sheet total of no more than EUR 43 million. These definitions are important when assessing which enterprises may benefit from EU funding programmes aimed at promoting SMEs, as well as in relation to certain policies such as SME-specific competition rules.

The article is structured as follows. First, we focus on the position of the SME sector in the European economy, especially among Visegrad group countries. We also performed an analysis of the business environment in the Visegrad group economies under this chapter. In the last part of the paper we focus on the current economic crisis and its impact on SMEs. Possible solutions of this difficult situation are discussed. We use data from OECD Statistical Database, Eurostat Database and EIM Business and Policy Research which were accessible from European Commission 's web pages.

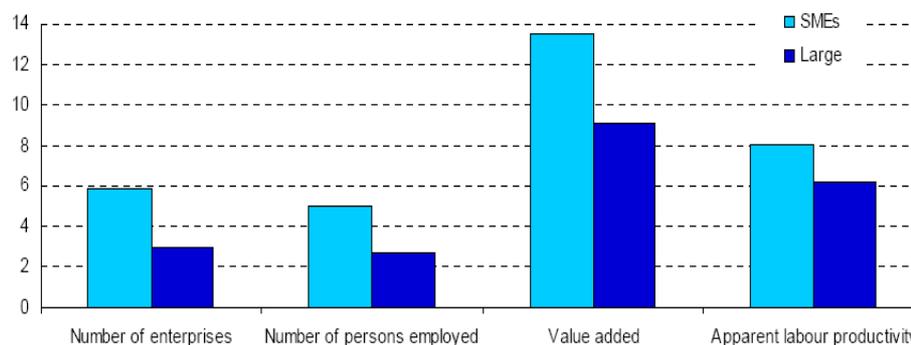
### **SMEs in the European Union and Visegrad Group Countries**

SMEs and entrepreneurship play the key role in economic growth and social and regional cohesion. According to Eurostat Database there were 19.6 million small and medium-sized enterprises in the EU-27 non-financial business economy in 2005 and SMEs account for over 99 % of all enterprises (91 % of these enterprises are micro-firms with less than 10 workers) and represent almost 70% of total employment in the EU. In addition, SMEs and entrepreneurship are increasingly important for economic growth in the framework of a knowledge-based and global economy. Given their importance in all economies (faster growth than large enterprises in the case of value added, employment or labour productivity) they are essential for the economic recovery nowadays (OECD 2009, pp.6 or Schmiemann 2009). But if we look at the absolute values of these indicators we will find out that SMEs have a lower labour productivity than large enterprises. Thus, SMEs contribute a considerably lower share to value added (58%) than to employment (67%). Labour productivity is lowest in micro enterprises. SMEs (and micro enterprises in particular) also exhibit lower profitability and employee compensation than large enterprises. On the other side micro enterprises appear to have a propensity to invest that is significantly above the average of the non-financial business economy.

The vast majority of SMEs in the EU are considerably smaller than the threshold of 250 persons. While large enterprises can maintain whole departments to keep up with technological developments, track competitors, attract finance and skilled employees, or develop new products and processes, many smaller enterprises struggle for resources, whether financial, know-how or skills. Furthermore, while larger enterprises may seek to lobby decision-makers in order to tailor laws to their own needs, it is rare for entrepreneurs or SMEs to devote resources to areas such as this (Eurostat 2009).

Figure 1 below displays the rate of change of some key indicators between 2004 and 2006, separately for SMEs and large enterprises (those employing 250 or more persons). All four indicators have grown, with SMEs displaying faster growth than large enterprises.

*Figure 1: Key indicators on enterprises in non-financial business economy – rate of change between 2004 and 2006, by enterprises size class, EU-27 (%)*



Source: Schmiemann (2009, pp.1)

If we look at some Eurostat statistical data (see Table 1 below) we can conclude these facts:

- there were 20.2 million active enterprises within the EU-27's non-financial business economy in 2006; these enterprises had a total turnover of EUR 22.3 billion and generated EUR 5.7 billion of value added, with a workforce of 130 million persons;
- the largest numbers of enterprises (at the NACE division level) are found within activities that are, to some degree, characterised

as having relatively low barriers to entry, and large, proximity markets – such as other business services (such as legal, accounting, management, cleaning and security services), retail trade and repair, and construction – which together accounted for more than half (52 %) of all enterprises that were active in the EU-27's non-financial business economy in 2006;

- the largest sector in terms of value added in the EU-27 in 2006 was other business services, which accounted for 12.6 % of the non-financial business economy total, followed by wholesale trade (9.2 %) and construction (9.0 %); with many industrial activities accounting for less than 1 % of the total;

*Table 1: Breakdown of activity within the non-financial business economy by size class, EU-27, 2006 (% share of total)*

Chapter	Value added					Number of persons employed				
	SMEs	Micro	Small	Med.	Large	SMEs	Micro	Small	Med.	Large
<b>1 Non-financial business economy (1)</b>	57.7	21.0	18.9	17.8	42.3	67.4	29.7	20.7	17.0	32.6
<b>Industry</b>	42.5	7.3	14.1	21.0	57.5	57.2	13.2	19.6	24.4	42.8
<b>2 Mining and quarrying</b>	35.7	11.9	9.3	14.5	64.3	31.6	5.5	13.3	12.9	68.4
<b>3 Food, beverages &amp; tobacco</b>	45.5	8.2	14.8	22.6	54.5	62.5	16.3	21.2	25.0	37.5
<b>4 Textiles, clothing, leather &amp; footwear</b>	74.5	14.1	28.0	32.4	25.5	75.3	17.7	26.3	31.2	24.7
<b>5 Wood &amp; paper</b>	58.3	11.5	19.9	27.0	41.7	73.5	21.8	24.9	26.7	26.5
<b>6 Fuel processing &amp; chemicals (1)</b>	22.3	1.2	5.0	16.1	77.7	33.8	3.2	8.8	21.8	66.2
<b>7 Rubber &amp; plastics</b>	57.4	4.8	19.0	33.6	42.6	64.1	7.8	22.0	34.3	35.9
<b>8 Other non-metallic mineral products</b>	52.5	7.3	18.5	26.7	47.5	64.0	14.5	22.1	27.5	36.0
<b>9 Metals &amp; metal products</b>	62.4	11.2	24.9	26.4	37.6	72.1	17.6	28.2	26.4	27.9
<b>10 Machinery &amp; equipment</b>	50.7	6.2	16.5	28.0	49.3	56.7	9.5	18.6	28.6	43.3
<b>11 Electrical machinery &amp; optical equipment</b>	38.0	5.9	12.2	19.9	62.0	47.6	10.9	15.1	21.7	52.4
<b>12 Transport equipment</b>	13.8	1.4	3.5	8.8	86.2	20.8	2.7	5.8	12.4	79.2
<b>13 Furniture &amp; other manufacturing</b>	72.6	18.3	26.3	27.9	27.4	76.8	25.6	25.7	25.5	23.2
<b>14 Network supply of electricity, gas &amp; steam (2)</b>	19.8	5.1	4.4	10.3	80.2	17.6	2.2	4.3	11.2	82.4
<b>15 Recycling &amp; water supply</b>	47.2	9.3	16.6	21.3	52.8	52.0	9.1	16.3	26.6	48.0
<b>16 Construction</b>	82.8	33.0	32.1	17.7	17.2	88.0	41.5	30.6	15.9	12.0
<b>Non-financial services (1)</b>	63.5	27.7	19.8	15.9	36.5	68.4	35.2	19.5	13.7	31.6
<b>17 Motor trades</b>	78.8	28.7	29.1	21.0	21.2	88.2	42.6	29.1	16.5	11.8
<b>18 Wholesale trade (1)</b>	76.9	23.7	29.4	23.8	23.1	82.1	32.9	29.1	20.1	17.9
<b>19 Retail trade &amp; repair</b>	56.4	31.5	16.3	8.6	43.6	65.1	42.7	15.0	7.4	34.9
<b>20 Accommodation &amp; food services</b>	76.5	35.5	27.2	13.8	23.5	82.4	44.7	26.8	10.9	17.6
<b>21 Transport and storage</b>	51.5	16.9	18.0	16.6	48.5	59.3	23.8	19.2	16.3	40.7
<b>22 Media &amp; communications</b>	21.8	5.2	7.6	9.1	78.2	35.3	11.6	11.6	12.1	64.7
<b>23 Real estate, renting &amp; leasing (2)</b>	85.7	52.4	16.7	16.7	14.3	84.8	53.5	17.4	13.9	15.2
<b>24 Research &amp; development (3)</b>	41.7	7.0	10.2	24.5	58.3	54.2	11.8	15.8	26.6	45.8
<b>25 Business services</b>	66.6	29.1	20.1	17.5	33.4	64.5	31.3	16.7	16.6	35.5

Note: (1) 2005 for value added; (2) 2005; (3) 2005 for number of persons employed

Source: Eurostat (2009, pp.47)

- the services sector (excluding financial services) accounted for 60.8 % of the non-financial business economy workforce in the EU-27 in 2006;
- the five largest Member States (Germany, Spain, France, Italy and the United Kingdom) generated 74.1 % of total value added within the EU-27's non-financial business economy in 2006, but accounted for 63.9 % of the EU-27's non-financial business economy workforce.

In the following part we concentrate on SMEs position in Visegrad group countries (the Czech Republic, Slovakia, Hungary and Slovakia). There are approximately 86 SMEs per 1000 inhabitants in the Czech Republic, which is the very highest entrepreneurship rate among all EU Member States (the EU average is ca 40, less than half of the Czech figure). Compared to the rest of the EU the proportion of SMEs (as compared to all enterprises) is exactly the same, although the internal size-class distribution shows that the Czech SME sector is skewed towards the micro enterprises. In terms of SME employment Czech SMEs contribute slightly more than the EU-average, but on the other hand the figure is reversed in terms of value added (European Commission 2008a) – see Table 2.

*Table 2: Basic SMEs characteristics: Czech Republic*

	Micro	Small	Medium	SMEs	Large	Total	SMEs share (%)*
Number of enterprises	892 339	35 331	6 943	934 613	1 442	936 055	99,8
Number of persons employed	1 197 804	690 155	699 384	2 587 343	1 159 713	3 747 056	69,1
Number of employees	335 774	648 626	687 694	1 672 094	1 153 327	2 825 421	59,2
Value added (mil. €)	15 815	13 390	16 035	45 240	33 798	79 038	57,2

*Note:* \* Share on total

*Source:* EIM Business and Policy Research [online][2009-12-25] Accessible from <[http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index\\_en.htm#h2-annual-report](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm#h2-annual-report)>.

There are approximately only 8 SMEs per 1000 inhabitants in Slovakia, which is considerably below the EU27 average of almost 40 and the lowest value of all Member States (although this maybe partly due to the fact that also the overall number of businesses is relatively small). In line with this result, the relative economic importance of the SME sector in Slovakia (measured in terms of employment and value added) is smaller than the EU average (European Commission 2008b) – see Table 3.

*Table 3: Basic SMEs characteristics: Slovakia*

	<b>Micro</b>	<b>Small</b>	<b>Medium</b>	<b>SMEs</b>	<b>Large</b>	<b>Total</b>	<b>SMEs share (%)*</b>
Number of enterprises	32 146	9 271	2 252	43 669	525	44 194	98,8
Number of persons employed	126 205	170 279	228 323	524 807	448 474	973 281	53,9
Number of employees	99 032	164 181	227 435	490 648	448 321	938 969	52,3
Value added (mil. €)	2 319	3 295	3 914	9 529	11 978	21 507	44,3

*Note:* \* Share on total

*Source:* EIM Business and Policy Research [online][2009-12-25] Accessible from <[http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index\\_en.htm#h2-annual-report](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm#h2-annual-report)>.

There are approximately 55 SMEs per 1000 inhabitants in Hungary, which is markedly above the EU average of ca 40. Since this is mainly due to a high overall number of businesses, the proportion of SMEs as compared to all enterprises is exactly the same, even though the micro enterprises sector is comparatively more important in Hungary. In terms of SME employment Hungarian SMEs contribute more to total employment than the EU-average, in particular in the segment of the Hungarian micro enterprises. On the other hand the figure is reversed in terms of value added, suggesting room for improvement in terms of the productivity of the Hungarian micro enterprises (European Commission 2008c) – see Table 4.

*Table 4: Basic SMEs characteristics: Hungary*

	Micro	Small	Medium	SMEs	Large	Total	SMEs share (%)*
Number of enterprises	532 618	24 883	4 169	561 670	853	562 523	99,8
Number of persons employed	862 832	478 101	411 329	1 752 262	744 396	2 496 658	70,2
Number of employees	530 133	466 037	409 124	1 405 294	743 680	2 148 974	65,4
Value added (mil. €)	7 818	8 055	9 007	24 880	23 942	48 822	51,0

*Note: \* Share on total*

*Source:* EIM Business and Policy Research [online][2009-12-25] Accessible from <[http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index\\_en.htm#h2-annual-report](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm#h2-annual-report)>.

There are approximately 37 SMEs per 1000 inhabitants in Poland, which is more or less in conformity with the EU-27 average. Nonetheless available data suggest that Polish SMEs do not reach the same relative importance that their peers have elsewhere in Europe. Although in employment terms they offer relatively more jobs than the EU-average, their share in the country's overall value-added creation is substantially lower than the EU-average. The less favourable figures refer to the micro and small business segments, while the medium-sized business segment matches the EU-average (European Commission 2008d) – see Table 5.

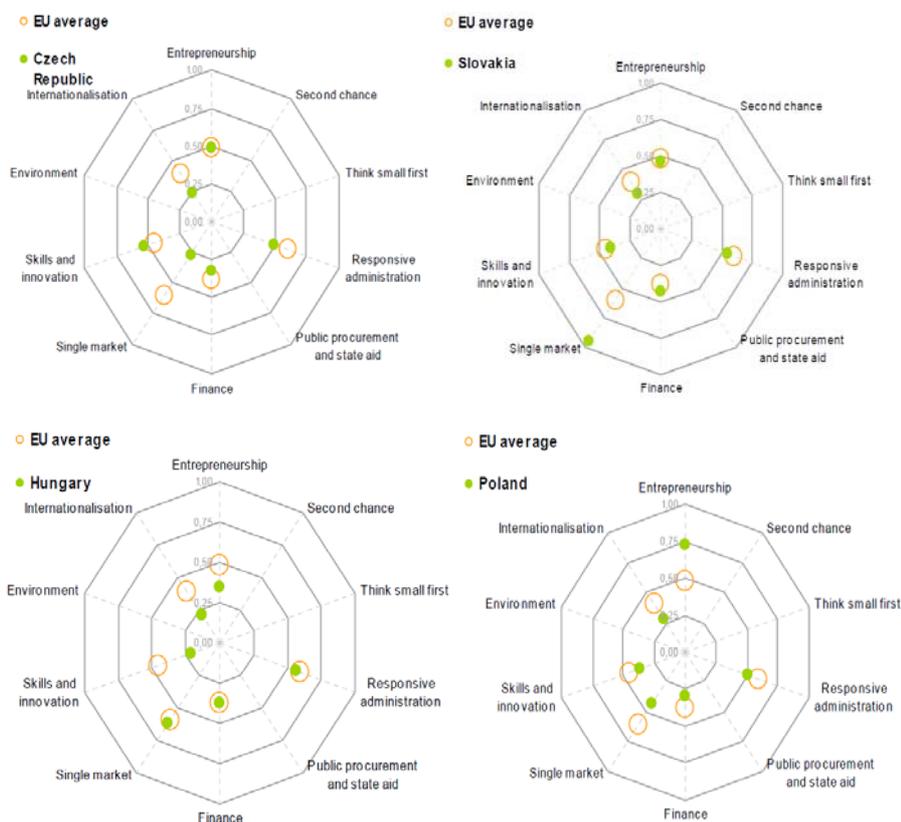
*Table 5: Basic SMEs characteristics: Poland*

	Micro	Small	Medium	SMEs	Large	Total	SMEs share (%)*
Number of enterprises	1 457 176	44 575	14 562	1 516 313	2 887	1 519 200	99,8
Number of persons employed	3 203 811	978 203	1 527 784	5 709 798	2 468 408	8 178 206	69,8
Number of employees	1 873 898	936 381	1 517 925	4 328 204	2 467 322	6 795 526	63,7
Value added (mil. €)	26 980	18 341	32 017	77 338	85 779	163 118	47,4

*Note: \* Share on total*

*Source:* EIM Business and Policy Research [online][2009-12-25] Accessible from <[http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index\\_en.htm#h2-annual-report](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm#h2-annual-report)>.

Figure 2: Comparison of SBA policy in Visegrad group countries



Source: European Commission 2008a,b,c,d

For comparison of SMEs and entrepreneurship we used Annual Report complemented by SBA fact sheets and a set of studies providing in-depth information on issues that are particularly important to small and medium sized enterprises in Europe. The Czech Republic outperforms the EU average in one of the six SBA sections with sufficient data for averages to be calculated (“Skills and innovation”) In the area of “Entrepreneurship” the Czech Republic is in line with the EU average. In the remaining four areas the figures for the Czech Republic fall behind (“Responsive administration”, “Finance”, “Single Market” and “Internationalisation”). Slovakia’s profile is a mixed bag. There are categories in which the data available suggest strong (such as “Finance” and “Single market”)

juxtaposed with areas in which the scores are lower than the EU average (including "Internationalisation"). As for the indicators in the remaining four sections where no category-average could be calculated, Slovakia generally performs above average (for example "Second Chance" and "Public procurement and state aids"), although there is a notable exception: "Environment". The SBA policy radar for Hungary suggests room for improvement in several areas: the available data put Hungary in line with the EU average in three areas ("Responsive administration", "Finance" and "Single market"). In the remaining areas with sufficient data for averages to be calculated, ("Entrepreneurship", "Skills and innovation" and "Internationalisation") Hungary's figures trail the EU average. Also in the four sections where no category-average could be calculated the existing indicators are predominantly below par. Poland's overall profile is dominated by categories showing values below the EU-average. There are very few exceptions to this. The most notable is "Entrepreneurship" where the country performs well above the EU average. This is also paired with scores above EU-average in the four sections where no category-average could be calculated.

### **Economic Crisis and SMEs**

Access to finance of small business is difficult, but most SMEs still get all or at least part of their financing needs covered. A new survey carried out by the European Commission and the European Central Bank shows that European small and medium sized enterprises (SMEs) have the necessary flexibility to withstand the crisis. In the second half of 2008, a financial crisis and "collapse" of the financial system took place. This situation is followed by an economic slow-down or even recession in some Member States. In some studies on access to finance for SMEs, the impact of economic and credit cycles on the supply of SME finance are considered. For example, it is generally agreed that economic cycles can have a significant impact on bank lending to SMEs. In times of economic expansion, and/or when interest rates and the cost of capital are low, banks will adopt very different lending criteria, and take a different view of lending risk compared with periods of economic decline or stagnation.

The crisis has hit European SMEs with 51% indicating that their profitability has decreased over the last six months. About 20% of European firms belong to the category of "gazelles", i.e. they have grown

over 20% per year over three years. Over the next two to three years, about 13% expect a turnover growth of over 20%. The proportion of companies that expect their annual turnover to increase in the next two to three years ranges from 17% in Malta and 20% in Latvia to approximately 60% in Poland, Austria and Norway (59%-61%).

In the context of current economic situation it is important to stress that SMEs are generally more vulnerable in times of crisis for many reasons among which are (among OECD 2009a):

- it is more difficult for them to downsize as they are already small;
- they are individually less diversified in their economic activities;
- they have a weaker financial structure (i.e. lower capitalisation);
- they have a lower or no credit rating;
- they are heavily dependent on credit and
- they have fewer financing options.

There is no doubt that the current economic crisis has an impact on firms. Enterprises are confronted with poor economic performance, which is accompanied by the decrease in demand for goods and services. Firms have lower revenues, the manufacturing warehouse and also have payment problems (increasing number of late payments). The result is limited production and the associated redundancies, which only deepens the problems on the demand side. An extreme consequence of all the above factors is the growing number of companies in insolvency, or already in bankruptcy proceedings. With a general distrust in the economic recovery is linked to another problem, which currently has a significant impact on SMEs - banks are more cautious about lending (known as tightening occurs), so for many SMEs is very difficult to obtain funding for its operation. *“The stagnation in lending is even true of banks in countries where governments have deliberately strengthened banks' balance sheets to allow them to grant additional credit to SMEs and/or where credit guarantee schemes exist”* (OECD 2009b).

The government policy of treatment should be focused on institutional and structural measurement, which can improve the long-standing deficiencies in the SME financial environment:

- to encourage banking competition across economies;
- to collect more timely and SME specific data on the supply of and demand for financing. This is important for determination if government measures are working.

- the specific financing needs of micro-enterprises (less than 10 employees in the EU) which dominate the SME sector.
- contemporary modern but impersonal system of scoring methods for assessing SME credit-worthiness should be supported with appropriate discretion (relationship banking)
- improving the means by which SMEs are informed about the availability of SME-related government support measures, especially those that are responses to the current crisis, is crucial for the implementation of government policy and programmes (in association with business associations or service providers)
- the managerial competencies of SMEs - especially in the field of finance - have to be supported - general managerial skills development, including mentoring and business advice.

The Small Business Act (SBA), adopted in 2008, is an ambitious package of policies designed to put SMEs' interests at the centre of decision-making. At the height of the economic and financial crisis, the SBA implementation in the first year focussed delivery on the following priorities:

- Reducing administrative burden for SMEs: all new European legislation and legislation in some Member States (e.g. Belgium, Denmark, Finland and Germany) now passes through an "SME test" to ensure that it is business friendly. Unnecessary administrative burdens worth billions of euro have been scrapped. The average time and cost of starting a private limited company in the EU has been reduced to 8 days and €417 respectively and eighteen countries have established one-stop-shops for company creation.
- Access to finance: simplified EU state aid rules (through the Global Block Exemption Regulation and the temporary State aid framework) allowed Member States to better help SMEs. Loans and overall funding through the European Investment Bank and Fund have increased to €11,5 billion in 2009. Legislative proposals were tabled to better tackle the problem of late payments of invoices. Several governments have committed themselves to paying their bills within 30 days or less. Moreover, new rules are discussed under which Member States would be free to exempt micro-businesses from accounting rules thus potentially saving them a further €6.7 billion.

- Access to markets: SMEs are already benefiting from a 40% reduction in fees for EU trade mark rights and simplified registration procedures. As a result of a "European Code of Best Practices", access of SMEs to public procurement has become easier and more open in a number of countries. The implementation of the services directive in all Member States will facilitate the establishment of businesses and cross-border provision of services, while the proposed statute of a European Private Company – when adopted - will introduce common rules for starting up and operating a business in any European country. Access to standards has been made easier through the publication of scopes of standards free of charge.
- Promoting entrepreneurship: The role of entrepreneurship education in Member States' education systems continued to increase. The Commission initiative Erasmus for Young Entrepreneurs has taken off.

For its part, the EU is already helping SMEs to access finance in many ways. For example, the Financial Instruments of the Competitiveness and Innovation Programme (CIP) will, by 2013, have helped about 400 000 small businesses. The European Regional Development Fund (ERDF) will have dedicated €23bn for helping small businesses by 2013. Further, the European Investment Bank has almost doubled its lending for small businesses, with a target of €30bn for 2008-2011.

According to UEAPME SME finance survey the overall situation in May/June 2009 on access to finance for SMEs was significantly worse than a year before, but slightly better than earlier this year (February/March 2009). At the moment between 20% and 32% of SMEs are reporting increased difficulties as regards access to finance, which seems to be 2 or 4 % points lower than at the beginning of this year. Between 2% and 4% of all SMEs are reporting that they have not access to finance at all. Out of those SMEs that have tried to get access to finance during the last months, 12% to 24% say that they have not access at all.

Worsening access to credit is a main problem SMEs have to solve during crisis in the Czech Republic. Three quarters of firms had to scale down their activities due to the lack of finance and more than half postponed or cancelled planned investments, a survey by the Czech Chamber of Commerce showed. Most of them were SMEs. Cash flow problems have forced 25% of companies to shed staff or to sell some

property. While talking about SMEs and tackling the crisis The Czech government is focusing its efforts to improve the business environment, rather than targeting particular types of company or individual industries. The government has already abolished regulations which required tradesmen to pay some taxes in advance. To get credit flowing to exporting companies, loans are being made available through commercial banks and the Czech Export Bank. The government is also making it easier for SMEs to access EU funds. The Czech cabinet is expected to cut social insurance paid by employers, as part of its efforts to reduce the cost of labour for employers, while the parliament has lowered the tax base for companies.

In Poland, SMEs have several advantages which are particularly precious during a crisis and fall in demand. These companies are not involved in risky financial operations; they do not try to access unknown market segments. This conservative approach is often under fire of criticism during economic expansion but when crisis loomed it showed that SMEs avoided mistakes which led bigger companies into trouble thanks to that. Micro-enterprises are also very flexible. They can increase and decrease the scale of their operation to reasonable extent relatively quickly. Moreover, since Polish SMEs are particularly active in services and trade, so they depend on the domestic demand rather than exports. Small businesses in Poland operate in relatively safe market niches. The automobile repair sector is a good example: many car owners have to postpone their decisions to buy new vehicles and the demand for repairs of old cars has increased. However, despite these advantages SME sector has not been totally able to avoid troubles related to crisis. One in four companies reports problems due to downturn and among their biggest "headaches" in the difficult times they list: too high taxes, administrative burdens, lack of institutional aid, credit crunch. Small companies which co-operate with bigger ones are often heavily dependent on their big clients, usually one and only. On the other hand - 42% of Polish SME's have not noticed so far the impact of the crisis on their economic condition and 7% of them even report increase in turnover. In a case like that the affected companies cannot count on a significant support from the state or state institutions. They have to rely on themselves and their own abilities to survive.

According to an analysis of the impact of the global economic crisis on SMEs by the National Agency For the Development of Small And Medium Enterprises (NADSME), only 2% of SMEs feel access to credit is

a serious problem in Slovakia. However, late payments remain an issue for Slovakian SMEs, with 65% of small firms admitting to experiencing liquidity problems as a result. In response, companies are postponing payments to their own suppliers, instead seeking bank loans and selling assets. Relaxed state aid rules have enabled the Slovak authorities to channel more resources to SMEs from European structural funds. The government is seeking to link its support to energy-efficient innovations and technology transfer, and has begun to establish clusters of SMEs which can access major European funding programmes. As part of a series of measures to support SMEs, the Slovak Guarantee and Development Bank (Slovenská záručná a rozvojová banka; SZRB), has signed a contract with commercial banks to provide rapid bank guarantees.

In the case of Hungary the New Hungary Venture Capital Programme has been designed to improve the financial status of Hungarian SMEs by providing early-stage equity financing. The Hungarian capital market is relatively underdeveloped in this field; larger transactions are dominant – only a few market players are involved in financing SMEs in their seed and start-up stages. Under the Program, Venture Finance Hungary Plc. – as the fund manager of a Fund of Funds (FoF) – relays resources to venture capital funds. A total of HUF 35 billion (€120.3 million) is being allocated to the Program, 85% of which is going to be financed by the European Union. The partners of Venture Finance Hungary Plc. will be venture capital fund management firms, who are tasked with raising a fixed proportion of additional private funding to the resources committed by Venture Finance Hungary Plc. The abovementioned partners will be selected by open tender. The amount of the investment may have a transaction size of an annual €1.5 million. Potential target enterprises: SMEs in the early (seed or start-up) or growth stage, which were founded no more than five years prior to the investment decision and have a net annual turnover not exceeding HUF 1.5 billion (€5.2 million) in any business year.

Another question is if the economic crisis has the same impact on men and women entrepreneurs. First, we have to think about basic characteristics of gender entrepreneurship. While many similarities exist among women and men entrepreneurs, there also are some interesting differences, e.g. women's level of optimism and self-confidence with respect to starting a business is lower than that of their male counterparts. According to the European Commission, the entrepreneurial potential of

women constitutes an "underdeveloped source of economic growth and of new jobs". At present, on average, women make up 30% of the entrepreneurs in the EU, but often face greater difficulties than men in starting up businesses and in accessing finance and training. As part of its ongoing strategy to increase the number of female entrepreneurs in the EU, the Commission launched a European Network of Female Entrepreneurship Ambassadors. These will share experiences, compare notes and act as role models to inspire women to become entrepreneurs across the EU-27.

*Table 6: Women's entrepreneurship in Czech republic and Hungary (2006)*

	Overall business owners rate (%)		early stage of entrepreneurial (%)		established business owners (%)	
	men	women	men	women	men	women
Czech Republic	18.47	8.07	10.75	4.93	7.66	3.14
Hungary	17.12	8.53	8.09	4.05	9.03	4.48
Poland	lack of statistics					
Slovakia	lack of statistics					

*Source:* The European Network to Promote Women's Entrepreneurship. Annual Activity Report 2008.

Table 6 illustrates some basic statistical facts about women entrepreneurship in the Visegrad group countries. International GEM data on female entrepreneurship (year 2006) indicates that the overall business owners rate was 8.07% for women compared to 18.41% for men in the Czech Republic. The gender gap is significant both at early stage entrepreneurial activity (4.93% for women compare to 10.75% for men) and for established business owners (3.14% for women compare to 7.66% for men). The similar situation was in Hungary.

The financial crisis has hit male-dominated industries hardest, with manufacturing and the construction sectors shedding jobs. Other traditionally male-oriented jobs in mining and farming have also been in long-term decline, leading some to speculate that there will soon be more women than men in the workplace. But a different picture emerges when examining the boardrooms of blue-chip companies. Men still dominate senior management positions and are significantly more likely to run their

own business. This disparity in the number of female entrepreneurs was an issue the Sweden has highlighted during its six-month EU presidency. Europe's Small Business Act (SBA) also stressed the importance for promoting female entrepreneurship.

According to Advisory Committee on equal opportunities for women and men it is necessary to consider further adaptation of the European Structural Funds, to focus on additional support for areas of women's employment likely to be affected by the crisis, and support for childcare, training and access to employment in a lifecycle perspective; there could also be greater support for women entrepreneurs. Issues such as the timing of release of funds and other procedures should be examined to increase accessibility of funds. Also, the provision of a financial reserve within each fund for equal opportunity activities with additional support for cross programmes and other special initiatives; gender expertise to be built into implementation measures and audit and monitor participation by gender

## **Conclusions**

As seen in the article, SMEs have an important position in EU member states, hence the countries of the Visegrad Four. Thus it is important that economic and political authority approach the issue of economic crisis responsibly, since it has a significant impact on small and medium-sized businesses. Looking to the future, there is a continuous risk that restricted availability of finance on favourable terms to firms could slow down an economic recovery. SMEs in particular appear to suffer from continued difficult access to short term finance, including export credits and trade finance that have declined considerably. Due to export orientation of the Visegrad group countries it is necessary to take increased attention for this sector of the economy under the current conditions of the economic crisis because this sector has been affected mostly by the prudent conduct of banks in granting loans. The economic crisis hit mainly male-dominated sectors of economy, so we can conclude, that the women entrepreneurship has been not so affected by the global economic crisis as the male one.

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