

COMPETITIVENESS OF REGIONS AND SMALL AND MEDIUM-SIZED BUSINESSES

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Abstract

The interdependence of spatial structure and economic development is increasing nowadays when there is competition between regions of Europe based on uneven economic development and growth. In this area, SMEs become a new way of addressing the economic growth of the regions, unemployment and financial stability, moving towards a new organization of the economic space. Small and medium-sized enterprises are seen as one of ways to increase innovation performance, increased competitiveness of enterprises and regional development. Small and medium-sized enterprises are flexible market players that aim to achieve the highest possible economic gain at the lowest cost. Small and medium-sized enterprises are respected in market economies for their ability to promote innovation and to transform knowledge and knowledge into new products and services. For this reason, the objective of this contribution is to evaluate the competitiveness of the regions and the position of small and medium-sized enterprises and importance in the regional development of the SR.

Keywords: small and medium-sized enterprises, innovation, Regional Competitiveness Index, regions

1 Introduction

In the current globalized environment, only strong and competitive entities will survive. One of the prerequisites for the development and growth of competitiveness of regions or business entities is innovation. The Slovak economy demonstrably possesses the innovative potential of enterprises whose growth and stimulation contributes to regional development and the reduction of regional disparities. Small and medium-sized enterprises are an essential element of modern economies. They represent basic business entities in the market economy, with their typical features and characteristics. They are business entities that seek and exploit business opportunities [10]. Small and medium-sized enterprises form one of the pillars of employment in the Slovak national economy. They represent a group of businesses that cannot be ignored. Small and medium-sized enterprises constitute a significant part of the economy in Slovakia. Almost half of them are involved in GDP formation. They account for about 99% of all enterprises and 70% for employment. The irreplaceable role of small and medium-sized enterprises, in particular in the field of job creation, the introduction of innovation into economic practice and, in particular, to a large extent, contribute to balancing the disparities in regional development. According to Habanik and Koišová [4], regional development is a sustainable way to secure the social, economic and environmental growth of the region's internal and external potential, which leads to a strengthening of competitiveness and thus to raising the standard of living and quality of life. Bašovský and Lauko [1] consider the region to be a complex dynamic spatial system that originated on the Earth's surface, based on the interaction of natural and socio-economic phenomena. And these features acquired in the development process are currently predestined for its economic use within the framework of regional development. The Council of Europe in the draft Charter of Regionalization (Draft Community Charter of Regionalisation, 1988 In Plai, 1994) prefers a definition that includes the human dimension and defines the region as a territory that, from the geographical point of view, creates a significant entity or group of similar territories on the basis of historical continuity and whose population combines certain common features and the desire to maintain and further develop their identity in order to stimulate cultural, social and economic development. Under Act 503/2001 Coll. on regional development support a region defined as a spatially defined area for the creation and implementation of regional and structural policy at level two or third level according to the classification of statistical territorial units.

2 When processing the contribution, the basic information source was obtained from the database of the Statistical Office of the Slovak Republic, Eurostat and Slovak Business Agency. An important source of information was also the reports and reports of major Slovak and European institutions such as the Business Alliance of Slovakia. Slovak Business Agency, European Commission reports. The standard scientific research methods used were used to process the contribution. The contribution is based on the SME definition of the EU

according to which all enterprises with 0-250 employees and whose annual turnover does not exceed EUR 50 million and / or the annual balance sheet total does not exceed EUR 43 million fall into this category. Within the SME category, a small enterprise is defined as an enterprise that employs fewer than 50 people and whose annual turnover and / or annual balance sheet total does not exceed EUR 10 million. Within the SME category, a micro enterprise is defined as an enterprise that employs fewer than 10 people and whose annual turnover and / or annual balance sheet total does not exceed EUR 2 million (Table 1). In evaluating the competitiveness of the regions in the SR, we worked with the Regional Competitiveness Index (RCI). This index counts

Table 1 Definition SME

SME Definition				
Enterprise category	Ceilings			
	Staff Headcount (number of persons expressed in annual work units)	Turnover	Or	Balance sheet total
Medium-sized	< 250	≤ € 50 million		≤ € 43 million
Small	< 50	≤ € 10 million		≤ € 10 million
Micro	< 10	≤ € 2 million		≤ € 2 million

Source: http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en

European Commission for the third time since 2010. The regional competitiveness index is calculated for 263 EU regions. The Regional Competitiveness Index consists of 11 pillars representing different aspects of competitiveness. The index through these pillars assesses the strengths and weaknesses of the regions. The pillar is evaluated in the region

Table 2 Piles of the Regional Competitiveness Index

Regional Competitiveness Index		
1. Basic pillar	2. Efficiency pillar	3. Innovation pillar
Institutions	Higher education, training and lifelong learning	Technological readiness
Macroeconomic Stability	Efficiency of the labour market	Sophisticated business
Infrastructure	Market size	Innovation
Health		
Basic education		

Source: http://europa.eu/rapid/press-release_IP-17-333_sk.htm

the most important driving forces of every economy, infrastructure, quality and structure of institutions in the region, or macroeconomic stability. When the regional economy begins to develop and make progress in the area of competitiveness, the factors that we associate with a skilled workforce are beginning to emerge. Therefore, the second pillar of the index assesses the quality of the work sprays in the region and the efficiency and size of the labour market. The highest degree of regional development is innovation, therefore, the third pillar that evaluates the region's competitiveness is entrepreneurship, innovation and technology. Such a built-in index for individual regions provides useful insights and helps them improve their economic performance. Table 3 shows the location of SR regions on the basis of an assessment of the situation in individual regions through the Regional Competitiveness Index. Of the total number of evaluated EU regions, i.e. 263 regions ranked best in 96th place in Bratislava. The other evaluated regions were placed on the upper partitions with a significantly lower score than Bratislava had. The table also identifies the strengths and weaknesses of individual regions, which may be an opportunity for regions to grow and develop their competitiveness. Because only a competitive region is one that can offer businesses and residents an attractive and sustainable environment for life and work.

Table 3 Competitiveness Index of SR Regions (year 2016)

	score	order	weaknesses	strengths
Bratislava	65,4	96.	institutions, basic education, health	business sphere, innovation, higher education
western Slovakia	33,8	196.	health, institutions, business sphere	infrastructure, market size, macroeconomic stability,
eastern Slovakia	24,0	225.	health, innovation, labor market	higher education, macroeconomic stability, technology
central Slovakia	29,7	211.	health, business sphere, infrastructure	higher education, macroeconomic stability, technology

Source: European Commission, European Regional Competitiveness Index

Despite good results in assessing the competitiveness of regions in the SR, there are still significant interregional disparities and we have up to 18 lagging regions in the north and east of Slovakia. These regions do not reach even 20% of the European average in terms of competitiveness and the overall level of regional development. The lagging region is an area that requires urgent attention and financial support. Lacking regions are characterized by insufficient infrastructure, low skilled labour, and predominant agricultural production.

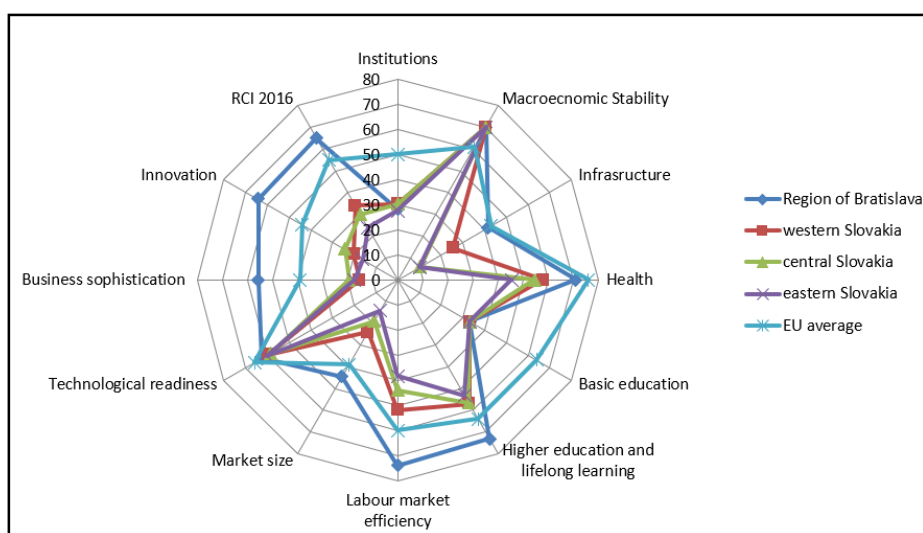


Fig. 1 Regional Competitiveness Index (RCI 2016)

These regions are usually marked by industrial decline or influenced by the recession of a specific sector. These are often peripheral regions of the economy, with weakness in their location, location at the border of the state, geographical isolation or land-use availability. The least developed regions of the Slovak Republic are Kežmarok, Lučenec, Poltár, Revúca, Rimavská Sbita, Veľký Krtíš, Sabinov, Svidník, Vranov nad Topľou, Rožňava, Sobrance, Trebišov, Gelnica, Bardejov, Medzilaborce, Snina, Košice-okolie, Levoča. In terms of size, these regions occupy more than 20% of the territory of the Slovak Republic. From an administrative point of view, Banská belongs to the Bystrický region, the Košice region and the Prešov region. The premise of removing significant regional disparities is a combination of a regional economy with an effective investment policy that promotes job creation, competitiveness, economic growth, quality of life and sustainable development. Regional development is therefore considered to be one of the key drivers of economic development. A successful local economy needs social as well as economic, environmental recovery. A well-functioning business sector is a prerequisite for the economic and social recovery of the lagging regions.

Table 4 Development of SMEs in the regions of the Slovak Republic between 2010 and 2017

Region/Year	2010	2011	2012	2013	2014	2015	2016	2017
Region of Bratislava	111 969	115 256	117 545	121 735	124 110	114 238	122774	126464
Region of Trnava	57 629	56 890	56 425	56 690	56 644	52 971	55528	56559
Region of Trenčín	57 385	56 565	55 587	55 765	54 801	51 938	53677	54273
Region of Nitra	65 938	65 331	65 665	67 731	68 104	64 569	68103	68947
Region of Žilina	72 329	75 535	72 512	74 502	75 534	72 365	75386	76199
Region of Banská Bystrica	57 098	56 394	55 870	57 385	57 409	53 952	55856	56650
Region of Prešov	72 928	72 680	71 379	71 694	70 871	66 766	69404	70616
Region of Košice	57 449	56 957	56 625	57 999	57 768	54 209	56394	57423
Sum:	552 725	555 608	551 608	563 501	565 241	531 008	557122	567131

Source: processed on the basis of ŠÚ SR data

As an appropriate tool for the development of lagging regions, SMEs with innovative organizational structure and willingness to take on risk appear to be innovative. In Table no. 4 we can see that in the regions of Central and Eastern Slovakia where the most lagging regions are located, the number of small and medium-sized enterprises decreased between 2010 and 2017. Innovation is the driving force behind competitiveness growth. SMEs have a huge impact on the economic growth potential of the region. Due to the characteristics of SMEs, their importance in the implementation of innovation is irreplaceable. Small and medium-sized enterprises have the ability to apply the results of science, research and development to competitive products and services. The basis of innovation is the new knowledge that emerges as a result of scientific, research and development activity, and the ability of workers to apply them in business practice in the field of product and service production, sales, and internal business processes. Innovation as such is primarily a matter for business entities; the state can in particular help to create and promote a favourable innovative business environment. In general, measures to promote an innovative business environment should include, in particular, a set of regulatory instruments that influence the behaviour of entrepreneurs, their motivation and willingness to take the necessary risk.

3 Conclusion

In conclusion, we must state that small and medium-sized enterprises are an important part of the national economy. SMEs create new jobs created as a means of commercializing new technologies or innovative ideas. We also have to point out that, with properly applied regional support, they are often the carriers of positive structural changes in the economy, and they increase productivity and contribute to economic growth. SME development enhances the competitiveness of the regions, has the potential to reduce social and regional polarization. And all thanks to innovative activities. As the results of R & D generally develop the possibilities for future competitiveness in the form of new knowledge, they increase the efficiency of enterprises and consequently of the regions themselves in which such enterprises are established. Low innovative performance is also reflected in low competitiveness. So this is an area that needs attention. As the role of SMEs in the economic development of the countries is very important, it is also necessary in the future to support research and innovation in SMEs. It is a way of increasing competitiveness, increasing economic growth and creating jobs. Given the significant innovation potential, it is essential to support SMEs' innovative activities.

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