

**Faculty of Economics and Social Sciences**  
**Business administration management Bachelor**

***Small and Medium-sized Enterprises in EU***

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Gödöllő  
2023

**SMALL AND MEDIUM-SIZED ENTERPRISES IN EU**

**THESIS**  
task sheet

*(Dmour Tamara, VSIG2O)*

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**For**

**ABSTRACT OF THESIS**

**Thesis title: Small and Medium-sized Enterprises in EU**

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Course, level of education: Business administration management Bachelor

Host Department/Institute: Faculty of Economics and Social Sciences

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Text formatting: Times New Roman, 12point size, 1,5 spacing, both sides justified, top & bottom margins – 2.5 cm, right and left side margins 2,5 cm.

The paper presents an insightful analysis of the SME sector and their economic situation in recent years with a focus on the impact of EU measures and global implications. It is clear that the EU recognizes the importance of small and medium-sized businesses as the main driving force of its economy and is taking steps towards their development.

It is noted that the decisions made by the EU are made slowly but thoughtfully, and the plans are carried out to maintain the rate of growth achieved. However, it is important to acknowledge that the success of the SME sector is influenced by many factors beyond the economic policy steps taken by the EU.

It suggests that providing resources and further training to companies that can develop their businesses within the framework of EU regulations can give them an advantage. It is encouraging to see that many SMEs are already well-equipped with flexibility, high-tech solutions, innovation, and a commitment to sustainability and the circular economy.

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# 1. Introduction

Small and Medium Enterprises (SMEs) form a crucial part of the European Union's (EU) economy, representing over 99% of all businesses and providing two-thirds of all private sector jobs. SMEs are crucial for the EU's competitiveness, innovation, and economic growth, and have a significant impact on the social fabric of European society.

Despite their importance, SMEs in the EU face numerous challenges, including limited access to finance, regulatory barriers, and difficulties in adapting to rapidly changing market conditions. These challenges have been further compounded by the COVID-19 pandemic, which has had a severe impact on SMEs across the EU.

This thesis aims to explore the challenges faced by SMEs within the EU and identify strategies that can help them overcome these challenges. The study will focus on various aspects such as access to finance, digitalization, market competitiveness, and sustainability. It will also examine the role of EU policies and support programs in promoting the growth and development of SMEs. What are the key factors that impact the growth and competitiveness of SMEs in the EU, and how can government policies and support programs be used to promote their growth and competitiveness?

SMEs in the EU can adopt various strategies to overcome the challenges they face, including diversifying their product offerings, embracing digitalization, leveraging EU support programs, collaborating with other SMEs and stakeholders, adopting sustainable practices, and enhancing their internationalization efforts, but only with the needed support and standardization and source providing.

Over the past 10 years, the European Union (EU) has implemented various strategies and initiatives to support the growth and competitiveness of small and medium-sized enterprises (SMEs) in order to cope with the current economy and guarantee their success and growth, which is important for the EU because of the importance of their role in the economy, but it is enough? The findings of the study will provide valuable insights into the challenges faced by SMEs within the EU and the strategies that can help them overcome these challenges. The overall goal of this thesis is to contribute to the existing literature on SMEs within the EU, by addressing the challenges faced by SMEs within the EU, this study aims to promote their long-term sustainability and economic impact, ultimately contributing to the EU's economic recovery and competitiveness.

## 1.1. The beginning of an Enterprise

Businesses perform activities such as producing goods or providing services with the goal of selling them to customers and making a profit. As such, the purpose of business is to provide products and services that customers want at a price they are willing to pay. This is what we call **double value creation** process: the satisfaction of needs for the consumer and profit for the owner.

The Goods are tangible objects that can be used and stored. Businesses produce goods and sell them to customers, who then own them. Such as: computers, food, clothes. Services are intangible activities that cannot be stored. Businesses provide services to customers who have access to them for a certain period of time. Examples: hairdressing, train travel, internet access

### **How does a new business start, what is the first thing needed**

Joseph Schumpeter (1883-1950), one of the theorists on entrepreneurship, defined an entrepreneur as one who reorganizes economic activity in an innovative and valuable way: starts new economic activity that was previously unknown and takes risk. An entrepreneur is a person who recognizes an opportunity, organizes and manages a business, assumes risk all for the sake of potential return.

As we move forward on the list of things we need, Opportunity comes, which is the heart of the whole process, but what are the characteristics of good opportunities? - Jeffry Timmons:

Four characteristics of business opportunity:

1. Attractive to customers
2. It will work in business environment
3. It can be executed in a defined „window of opportunity”
4. It can be implemented with a right team to make it durable

Is there a market demand? Are there new functional needs or existing needs at lower costs? What about the structure and size of the market: any demand and potential for growth? Do we find barriers to entry and competitive advantages, and let's not forget capital requirements and operating structure. We need to know the answers to these questions, and we need to get a positive consensus so that the start of our business goes in the right direction.

Schumpeter's definition (Austrian American economist in the 19-20th century) about opportunities is defined with the followings: Using a new technology to produce a new product, using an existing technology to produce a new product, using an existing technology

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graph LR; I1[Innovation] --> I2["New Product  
New Method  
New Market  
New Source of supply  
Carries out a new organization"]; I2 --> C[Creativity]; C --> I1; I2 --> E[Exploiting profitable business opportunities]; E --> SED[Sustainable Economic Development]; SED --> I1; E --> Ent([Entrepreneurship]);
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The diagram illustrates the relationship between Innovation, Creativity, Entrepreneurship, and Sustainable Economic Development. It shows a cycle where Innovation leads to Exploiting profitable business opportunities, which leads to Sustainable Economic Development, which then leads back to Innovation. Creativity is shown as a component of Innovation, and Entrepreneurship is shown as a component of Exploiting profitable business opportunities.



TUDY OF JOSEPH A. SCHUMPETER'S INNO

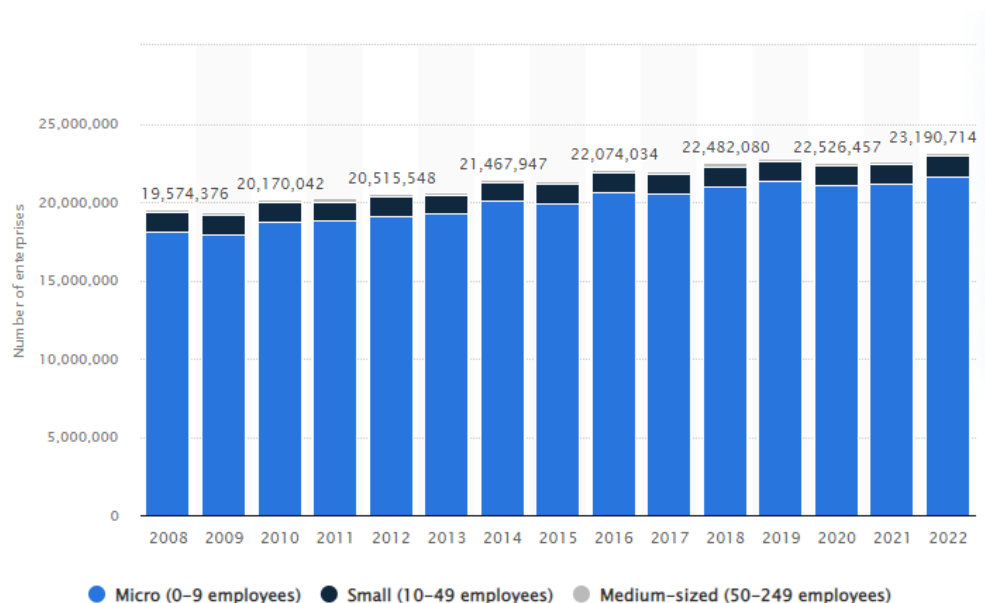
## 2. Literature review

### 2.1. Businesses in the EU

But let's discuss what businesses we can meet here in Europe in accordance with European Union regulations.

The European Commission uses a combination of number of employees and turnover to define the size of a business: According to this grouping, we can talk about micro-enterprises, small enterprises, medium-sized enterprises and large enterprises. The biggest section based on this grouping are SMEs. Nowadays SMEs play an important role in the structure of individual national economies, and they differ from large companies and multinational companies in terms of their characteristics and needs.

These businesses are the backbone of the EU economy. Micro, small and medium-sized enterprises, which make up 99 percent of operating companies, generated an added value of four thousand billion euros in 2016. They are also essential for creating new jobs – a 2019 report found that around 85% of all new positions in the past five years were in SMEs. The majority of these were in companies five years old or younger. (Parleu2020.de: SME policy in the EU)



2. Figure: Number of SMEs in the European Union

Source: Statista

In the 1970s, there was a significant turn in the economic thinking about small companies, which for the sector also changed its economic policy management. In the past, developed industrial countries attributed the development of the economy almost exclusively to the

performance of large companies, so their economic policies hardly dealt with small companies. After the oil crisis in the 1970s, economic processes changed significantly, increasingly flexible corporate adaptation to environmental conditions became a decisive factor in competitiveness, which emphasized the role of small and medium-sized enterprises (SMEs) in dynamizing the economy. From the beginning of the 1980s, economic theory also valued small companies with the spread of the slogan "small is beautiful" associated with Schumacher's name, which became one of the basic ideas of alternative economics that emphasizes ecological and human aspects.



## **2.2 Importance and contribution of SMEs to the EU economy**

By the beginning of the 1980s, the social and economic importance of SMEs became evident to the European integration community, primarily through their crucial role in employment and innovation. At the same time, they also recognized that small companies are at a competitive disadvantage compared to large ones, which is largely due to the fact that the relative transaction costs of the services and resources they use are too high due to economies of scale. (Kállay 2003: 7).

### **SME policy dealing with problems at the community level**

Its two main areas were the provision of a favourable legal, regulatory and economic environment, and it focused on launching specific development programs and actions (Kállay-Imreh 2004: 62). The first comprehensive framework program started in 1986, which formulated 3 main objectives:

- 1, improving the enterprises legal, economic, etc. environment
- 2, helping businesses to take advantage of the opportunities of the community market in using
- 3, supporting own efforts that promise the development of the enterprise.

## **2.3. EU policies and support programs for SMEs**

In 2003, the European Commission put together set definitions of what constitutes an SME, breaking the term down into three further categories: micro, small and medium-sized. A medium-sized business has a maximum turnover of €50 million a year and 250 or less staff members; a small enterprise has up to €10 million in turnover and 50 or less staff members, while a micro business has a turnover no greater than €2 million and employs 10 people or less.

The next comprehensive program was the so-called Multiannual Program (MAP), which was followed by three more until 2006. These programs with shifts in emphasis – included the following main objectives (Losoncz 2007: 71-72):

- strengthening the growth and competitiveness of companies, research, improving their access to innovation and training opportunities,
- simplification and development of the administrative and regulatory environment
- improving the financial environment of SMEs,
- encouraging entrepreneurship, supporting target groups (minorities, women, young people, seniors, etc.)

- helping SMEs to reach European and international markets, especially through better information services,
- companies are for community programs and grants facilitating access,
- disseminating "best practice" and integrating it more effectively than before.

The year 2000 can be considered a milestone in the SME policy of the European Union. At that time, the European Charter for Small Enterprises was adopted, which, based on the SME objectives of the Lisbon strategy announced in the same year, indicates ten main courses of action for the development of the sector as follows (based on EU 2004: 10-15):

1. Education and training of enterprises: The entrepreneurial spirit and entrepreneurial skills of young people support above all by providing business knowledge they are incorporated into curricula at all levels of education.
2. Cheaper and faster start: Simplifying and speeding up the licensing procedures for new companies, reducing the costs of starting a company.
3. Better legislation and regulation: Review and simplify national and community-level regulations (especially bankruptcy law, competition law) in order to reduce the burden on small companies.
4. Provision of professional knowledge: Provision of lifelong vocational training and counselling for small entrepreneurs.
5. Improving online access: Electronic between public administration authorities and small companies expansion of communication is the faster and cheaper flow of information in order to
6. Better use of the single market: Application of European and national competition rules which enable small companies to participate in the competition in the EU's single internal market under fair conditions and as widely as possible.
7. Tax and financial matters: Operating tax systems that encourage small businesses establishment, growth and job creation. Small businesses better provision of financial resources, above all a by providing better access to credit sources, venture capital and structural slaps.
8. Strengthening the technological performance of small companies: Encouraging technological cooperation between companies of different sizes, making patents accessible to small companies. Supporting networking between SMEs and strengthening cooperation between small companies and higher education and research institutions.

9. Successful e-business model and the highest level of small business support: Encouraging small businesses to adopt best business practices. Design and operation of easily accessible information and business support systems.
10. Stronger and more effective representation of small business interests' development at the European Union and Member State level: Revision of the interest representation system of SMEs.

Based on the above, the main goal was the start-up and growth of SMEs helping, along with this, strengthening entrepreneurial thinking and behaviour, to which the European Union wanted to contribute, on the one hand, by improving the framework conditions - that is, the economic environment - and, on the other hand, with programs supported by financial resources. The Charter declared that small companies can be considered as the main driving force of employment and innovation (EU 2004: 7), which emphasis on "functions" and support for their development appears more and more clearly in later documents containing the EU's SME policy.

The announcement entitled "Implementation of the Community's Lisbon Program: Modern SME policy for growth and employment" marks the beginning of a new, more practical and comprehensive European Union policy favourable to small and medium-sized enterprises. On the one hand, the document states that SMEs play a key role in the implementation of the Lisbon programme, on the other hand, it indicates the goal of making the sector more competitive (COM(2005)551 final: 13), i.e. it essentially defines the interaction between small and medium-sized enterprises and the competitiveness of the European Union. At the same time, the main goal of the announcement was to incorporate issues affecting SMEs into community and national policies in the "Think small first!" by applying the ("Think small first!") principle. (COM(2005)551 final: 4)

	Total	SMEs	Micro	Small	Medium	Large
Number of enterprises (millions)	19.65	19.60	18.04	1.35	0.21	0.04
Share in total (%)	100.0	99.8	91.8	6.9	1.1	0.2
Persons employed (millions)	126.7	85.0	37.5	26.1	21.3	41.7
Share in total (%)	100.0	67.1	29.6	20.6	16.8	32.9
Value added (EUR billion)	5 360	3 090	1 120	1 011	954	2 270
Share in total (%)	100.0	57.6	20.9	18.9	17.8	42.4
Apparent labour productivity (EUR 1 000 per person employed)	42.3	36.4	29.9	38.7	44.8	54.4
Relative to total (%)	100.0	86.1	70.7	91.5	105.9	128.6

Source: Eurostat (SBS size class)

**1. Table: Key indicators for enterprises, EU-27, 2005**

In addition to the above, it is also worth highlighting that in recent years it has been European SMEs are increasingly emphasized in EU documents advocating its networking and

clustering in order to develop the innovation potential of companies and increase their competitiveness. The creation of world-class European clusters. According to a press release from the Commission, "Competitiveness in Europe the key to its further strengthening is excellence at all levels lies in striving and making the best possible use of the opportunities provided by clusters" (COM(2008)652final: 6), therefore the Commission invited the member states to implement their cluster policy nationally into the competitiveness pillar of their reform programs. The document states that SMEs play a key role in the future development of the EU and thus innovative SMEs are of particular importance in relation to clusters integration. (COM(2008)652final: 5)

After reviewing the modern SME policy, the Commission believed that in the 2008-2010 Lisbon cycle even more attention should be paid to SMEs and their potential for growth, job creation and innovation in order to develop, that is why he initiated a complex development of a package of small business measures ("Small Business Act").(COM(2007)592 final: 12) The same objective was formulated in also in the Commission's proposal for the 2008-2010 Lisbon program, where the significant administrative burden of SMEs was again listed as a priority goal reduction. (COM(2007)804final: 8) The Small Business Act (SBA) passed in 2008 emphasizes that creating the best framework conditions for SMEs primarily depends on how much society recognizes entrepreneurs. The entrepreneurial and acknowledgment of the willingness to take risks must appear a "Think small first!" in all areas of policy-making principle with consistent application. The package of measures formulated ten principles in order to provide a uniform framework for member states for the development of policies affecting SMEs, the main purpose of which is to create an ever-improving legal and administrative environment for small businesses for companies.

### **2.3.1. Great Depression of 2008**

As a result of the economic and financial crisis that broke out at the end of 2008 - which includes the small and medium-sized enterprise sector as well as other players in the economy more seriously affected - the European Council adopted a short and a medium-term action plan for the implementation of the SBA, in which a emphasis on the priority of the following three areas of action is included (EU 2009a: 12-14):

- Facilitating access to funding sources for SMEs: The Council calls on credit institutions not to burden SMEs access to bank loans and contribute to the "restart" of the economy. In addition, the Council calls on the member states to be as large as possible they make full use of the possibilities of state support for SMEs.
- Adapting the regulatory environment to the needs of SMEs: The Council calls on the member states to improve their legislation "Think small first!" is also applied more consistently. principle, assess the impact of their measures on SMEs and act greater efforts in order to 2012 a significant (25%) reduction in the administrative burden of SMEs European Union objective for reducing
- Helping SMEs to reach the market: The Council calls on the member states to abolish the single which stands in the way of SMEs taking advantage of the opportunities offered by the internal market obstacles. As a means of this - among other things - help the "good practices", increase the participation of SMEs in public procurement procedures, and make greater efforts in the legal system and the towards the unification of patent procedures.

For SMEs in economic growth and innovation, its role in job creation and social cohesion emphasizing that the European Parliament pays special attention to for the implementation of a package of small business measures. Facilitating this SBA welcomes the Parliament's resolution of March 10, 2009 its creation all the more because, according to the resolution, "The European Despite the Union's previous initiatives, since 2000 there has been little or no progress there was a noticeable improvement in the business environment surrounding SMEs" (EU 2009b: point C). According to the European Parliament, the partial results achieved one of the reasons for the relative failure that occurred in The European Charter for Small Companies is non-binding, which hinders its actual implementation, and most of the ten recommendations made in it weren't heard by the member states (EU 2009b: point I). Since legally, the Small Business Act is also not mandatory, which is why the Council is

successful in order to implement it, he called on the European Commission to develop a unified system of criteria achieved based on the ten guidelines to assess progress. As a result, the Commission published its report in 2009 on the implementation of the SBA, which is based on the ten guidelines for the member states was supplemented with country profiles on its progress. The meaning his final conclusion is that the community achieved good results in 2009 in the field of SBA implementation, but very consistently must continue the started work in order to create the a "world-class environment" for SMEs, which is the upcoming Europe 2020 is also an important element of strategy. (COM(2009)680: 8)

### **2.3.2. The Europe 2020 strategy and SMEs**

The European Commission published the European Union in March 2010 its new strategy until 2020 "Europe 2020. The intelligent, sustainable and inclusive growth'. Adoption of the strategy by the European Council Expected at the end of 2010. The introduction of the strategy states that the current economic and in addition to destroying the achievements of the European economy in the last 10 years, the financial crisis brought to the surface Europe's structural problems (low productivity and economic growth, low employment levels, aging) and drew attention to the increase in global challenges (increasing competition from catch-up economies, instability of global financial structures, climate and resource use challenges becoming drastic). To avoid decline, Europe needs to act now, but only for the highly interdependent 27 coordinated action of the European Union economy can lead to success (COM (2010)2020: 8-9).

Accordingly, the Commission is even closer than before asked the member states to cooperate in order to implement the following three complementary priorities appearing in the title of Europe 2020 (COM(2010)2020: 5):

- Smart growth: an economy based on knowledge and innovation design.
- Sustainable growth: creating a more resource-efficient, environmentally friendly and competitive economy.
- Inclusive growth: encouraging the development of an economy characterized by high employment and social and territorial cohesion.

The Commission defined five priorities to be implemented by 2020, also numerical objectives, which it considers achievable based on the above priorities and with the help of the seven key initiatives linked to them.

Highlighted objectives

1. Increasing the level of employment from the current 69% to at least 75% for the 20-64 among the elderly.
1. The goal of increasing R&D investments to 3% of GDP implementation, primarily the conditions applicable to private sector R&D investments by improving; developing a new indicator suitable for measuring innovation.
2. Reduction of greenhouse gas emissions by at least 20% in 1990 level, or in the case of suitable conditions, a 30% reduction in emissions, a increasing the proportion of renewable energy sources to 20% is the ultimate in energy consumption, as well as increasing energy efficiency by at least 20%.
3. Reducing the rate of school dropouts from the current 15% to 10% and increasing the proportion of people with a higher education qualification from 31% to at least 40% Until 2020 among the 30–34-year-old age group.
4. A 25% reduction in the number of Europeans living below the national poverty thresholds, Lifting 20 million people out of poverty.

The essence of Europe 2020 is retained by the Lisbon Strategy its main goals (a knowledge-based, competitive economy with high growth, employment and cohesion), which is complemented by environmental awareness and resource efficiency, i.e. with the concept of sustainability. Further a parallel between the two strategies is that both place great emphasis on to create an environment that supports the development of SMEs. Europe 2020 week five of its priority initiatives make special mention of the sector a in the following contexts.

### **2.3.2. COVID 2019**

After almost a decade after the great depression of 2008, Europe's economic life seemed to be stabilizing, but the devil never sleeps, COVID hit. The COVID-19 pandemic has had a significant impact on SMEs in the EU, and the EU had to keep pace with the trench caused by the virus and responded with various policies and initiatives to support SMEs during and after the pandemic.

- **Support for financing:** The EU has launched several financing initiatives, such as the Coronavirus Response Investment Initiative (CRII) and the European Guarantee Fund, to support SMEs with access to finance.
- **Digitalization:** The pandemic has accelerated the need for SMEs to adopt digital technologies, and the EU has launched various initiatives to support SMEs in this area. For example, the Digital Innovation Hubs network offers support and training for SMEs in digital technologies.
- **Green transition:** The EU has set ambitious targets to reduce greenhouse gas emissions, and SMEs are expected to play a significant role in achieving these targets. The EU has launched various initiatives to support SMEs in the transition to a greener economy, such as the Green Deal, which includes financing and technical support for SMEs.
- **Simplification of rules and regulations:** The EU has launched initiatives to simplify rules and regulations for SMEs, such as the Single Market Strategy, which aims to make it easier for SMEs to do business across borders.
- **Training and upskilling:** The EU has launched various initiatives to provide training and upskilling opportunities for SMEs, such as the European Vocational Skills Week, which offers training and networking opportunities for SMEs.



### **2.3.3. What the European Commission does in presence for SME**

The European Commission is on a mission to make Europe the go-to destination for small businesses. With their new SME Strategy, they are focusing on two key areas: sustainability and digitalization. By encouraging SMEs to adopt sustainable business practices and embrace digital technologies, they hope to create a more attractive environment for small businesses to start, grow, and scale-up in the single market and beyond. The strategy aims to increase the number of SMEs engaging in sustainable practices, such as reducing waste and emissions, and promoting circular economy principles. This not only benefits the environment but also improves the long-term viability of the business. The strategy also emphasizes the importance of digital technologies, such as e-commerce, cloud computing, and artificial intelligence, in enabling SMEs to compete in a global marketplace. By prioritizing sustainability and digitalization, the European Commission hopes to create a business-friendly environment that attracts new entrepreneurs and supports existing SMEs. With Europe's rich cultural heritage, highly skilled workforce, and robust legal framework, it's not hard to see why the Commission believes it can become the most attractive place for small businesses to thrive.

The European Commission's SME Strategy acknowledges the vast diversity within the SME community. SMEs come in all shapes and sizes, from microenterprises in the service sector to high-tech start-ups, and are run by both men and women. The strategy aims to cater to the unique needs of each type of SME, with a focus on helping them not only grow and scale up but also be competitive, resilient, and sustainable. To achieve this goal, the strategy takes a comprehensive and cross-cutting approach, with horizontal measures designed to help all types of SMEs, as well as targeted actions to address specific needs. This approach recognizes that each SME has its own set of challenges and opportunities, and that a one-size-fits-all approach simply won't work. The strategy also emphasizes the importance of supporting SMEs in their transition to sustainability and digitalization. This includes providing capacity-building and support for SMEs to adopt sustainable business practices and employ digital technologies, reducing regulatory burdens and improving market access, and improving access to financing. By doing so, the strategy aims to unleash the full potential of Europe's SMEs to lead the twin transitions towards a more sustainable and digital economy. Overall, the SME Strategy recognizes the critical role that SMEs play in the European economy and aims to create a business-friendly environment that supports their growth and success.

The European Commission's SME Strategy is based on three key pillars: capacity-building and support for the transition to sustainability and digitalization, reducing regulatory burden and improving market access, and improving access to financing.

The first pillar, capacity-building and support for the transition to sustainability and digitalization, is focused on helping SMEs to adopt sustainable business practices and employ digital technologies. This includes providing tailored support and advice, such as the Enterprise Europe Network's Sustainability Advisors, to help SMEs understand the environmental risks they face and develop more resource-efficient and circular processes and infrastructure. It also involves investing in disruptive innovation and high-potential start-ups and SMEs, such as through the European Innovation Council, to drive breakthrough Green Deal innovation and position Europe as a world leader in shaping the digital economy. The second pillar, reducing regulatory burden and improving market access, aims to create a more business-friendly environment for SMEs. This includes simplifying administrative and legal procedures that SMEs face when trying to make their business more resource-efficient, as well as addressing barriers to operating cross-border. By reducing regulatory burdens and improving market access, the strategy aims to help SMEs to focus on what they do best - innovating, growing and creating jobs.

The third pillar, improving access to financing, recognizes that access to finance is often a major barrier for SMEs looking to grow and scale-up. The strategy aims to address this by providing SMEs with more opportunities to access finance, such as through the European Investment Fund's VentureEU programme, which provides funding for venture capital funds investing in innovative start-ups and SMEs. It also includes promoting alternative financing options, such as crowdfunding and peer-to-peer lending, and improving the investment-readiness of SMEs.

Overall, the European Commission's SME Strategy declares to recognize the unique needs of SMEs and aims to create a supportive environment that helps them to grow, innovate, and succeed. By focusing on these three key pillars, the strategy aims to unleash the full potential of Europe's SMEs and position Europe as the most attractive place to start and grow a small business. The European Commission's SME Strategy aims to unleash the full potential of Europe's SMEs by increasing the number of SMEs engaging in sustainable business practices and employing digital technologies. By it the ultimate goal is to make Europe the most attractive place to start and grow a small business in the single market.

To achieve these objectives, the strategy requires joint actions by the EU and Member States, with active involvement from the SME community and companies themselves. The strategy

say shall be supported by a strong partnership for delivery between the EU and Member States, including regional and local authorities. Entrepreneurs could also benefit from EU investment programs to make their businesses more digital and sustainable, as well as to grow in the single market and beyond. The strategy builds on existing SME policy frameworks and support programs, including the Small Business Act, the Start-up and Scale-up Initiative, the COSME Program, and SME support actions funded under Horizon 2020 and the European Structural Investment Funds. The strategy is part of the industry package that includes the Single Market Barriers Communication, the Enforcement Action Plan, and the Industrial Strategy. The proper transposition, application, and enforcement of EU legislation are key to facilitating SME growth within the single market. The Enforcement Action Plan sets out various initiatives to address these issues, while the Industrial Strategy emphasizes the role of SMEs in a competitive and innovative European industry.

### **3. Methodology**

Within research, I present and analyse the data from the early 2000's years with a Quantitative research approach. How did the number of workers, the number of companies change, the contribution of GDP and the change and interaction of their proportions evolve, and from that analyzation I derive a correlation between these results and the EU economic policies applied at the same time. What is the effect of the EU policies and strategies on the ongoing economics, how it views their importance? Working with the latest statistics comparison based on the relevant measures, I ask about the change and its cause throughout the years.

Over the years, there have been many small and large business events, both intentional and unexpected, that have left their mark on the fate of small and medium-sized enterprises, which I would like to explain in this part of the thesis. We wouldn't think that even small changes in environmental factors could affect a sector at this time, but if a global event brings challenges, it can change everything.

In 2008 there were significant changes and challenges where, from which companies and the entire economic sphere recovered with great difficulty. The EU has invested significant resources in helping the remaining actors and improving the situation in countries. Where 1 company was closed, up to several dozen people lost their jobs, thus triggering an avalanche of effects.

Almost a decade later, a series of positive changes have already taken place as a consequence of appropriate economic policy measures, such as the Lisabon programme.

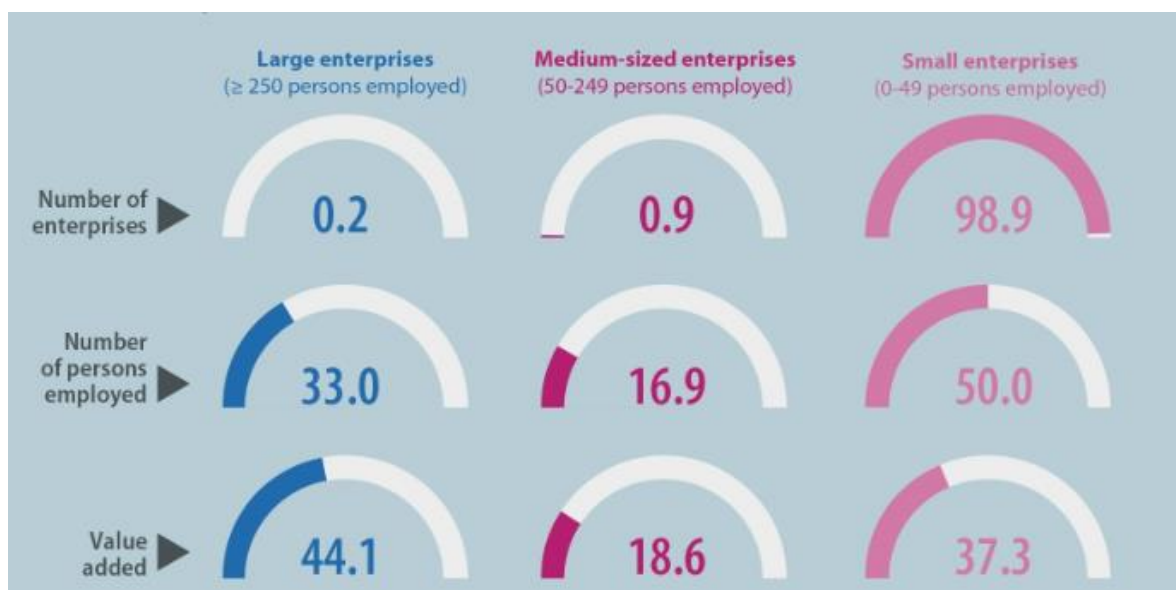
Let's take a look at what the SME sector was like then and what it is like today.

I Would like to compare different years of data and analyse the reasons of the changes which can be shown by the comparisons.

## 4. Results

### 4.1. Data of 2017

According to Eurostat, there were 22.2 million SMEs in the EU's nonfinancial business economy in 2017, which contributed to over half of total value added (56%, EUR 3.5 billion). SMEs employed 83.9 million people in 2017, accounting for 67% of all employed. Over half of them were employed in three economic activities: distributive trades sector (20.7 million people, 27%), business economy sector (19.0 million people, 23%) and accommodation and food service activities (9.3 million people, 11%).

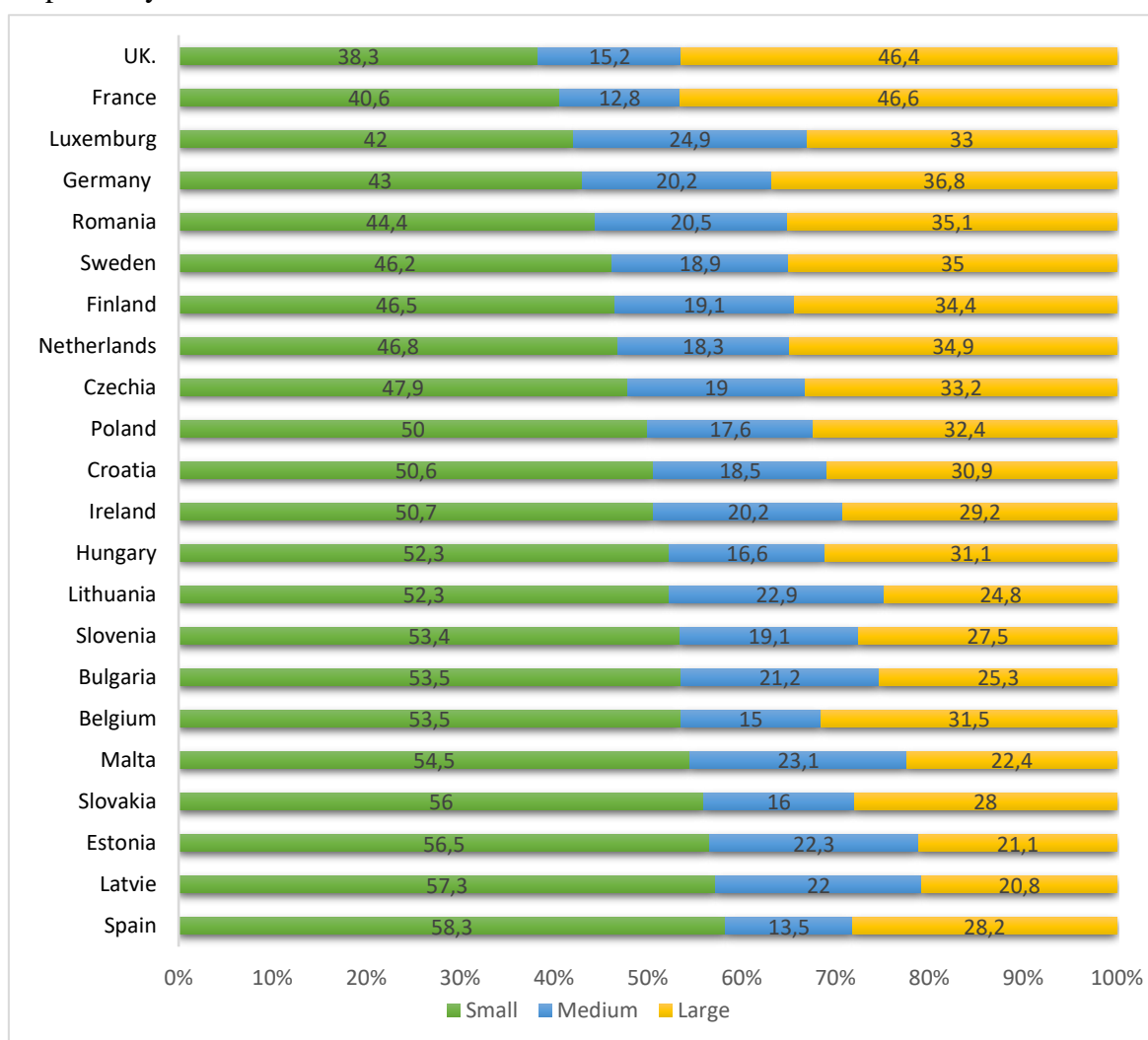


3. Figure: % of size class in 2017

Source: EUROSTAT

This data highlights the dominance of small enterprises in the European Union's non-financial business economy in 2017. Nearly 99% of all enterprises had fewer than 49 employees, while only a very small percentage (0.2%) were classified as large enterprises with 250 or more employees. This suggests that the majority of businesses in the EU are relatively small, and potentially face unique challenges and opportunities compared to larger enterprises. This data emphasizes the significant role that SMEs play in the EU's nonfinancial business economy. These businesses accounted for over half of the total value added in 2017, which amounted to €3.5 billion. Moreover, SMEs were responsible for the employment of 83.9 million people in the same year, representing 67% of all employed individuals. It is worth noting that the distributive trades sector employed the largest number of individuals in SMEs, with 20.7 million people employed in this sector alone.

Manufacturing and construction were also significant employers, providing jobs for 15.8 million and 10.2 million people respectively. Overall, these figures indicate the vital role that SMEs play in driving economic growth and providing employment opportunities in the EU. In Portugal, small enterprises employed the highest percentage of people among all the countries with available data, with 61% of all employed individuals working for small businesses. Spain, Latvia, Estonia, and Slovakia followed closely behind, with small enterprises providing employment opportunities for 58%, 57%, 57%, and 56% of all employed individuals in these countries, respectively. On the other hand, medium-sized enterprises employed the highest shares of people in Luxembourg, where they accounted for 25% of all employed individuals. Lithuania, Estonia, and Latvia also had relatively high percentages of individuals employed by medium-sized businesses, with 23%, 22%, and 22% respectively.



**2. Table: Number of employees by enterprise size class in 2017**

Source: EUROSTAT

## **Exmples of EU policies, strategies and sanctions that may have affected the economy up to 2017:**

- **2000-2010** Lisabon strategy (2.3)
- **2006** Multiannual Program (MAP), then 2 other MAP in the following years (2.3)
- **2007** Small Business Act (2.3)
- **2010** EUROPE 2020 (2.3.2)

## **4.2. Data of 2018**

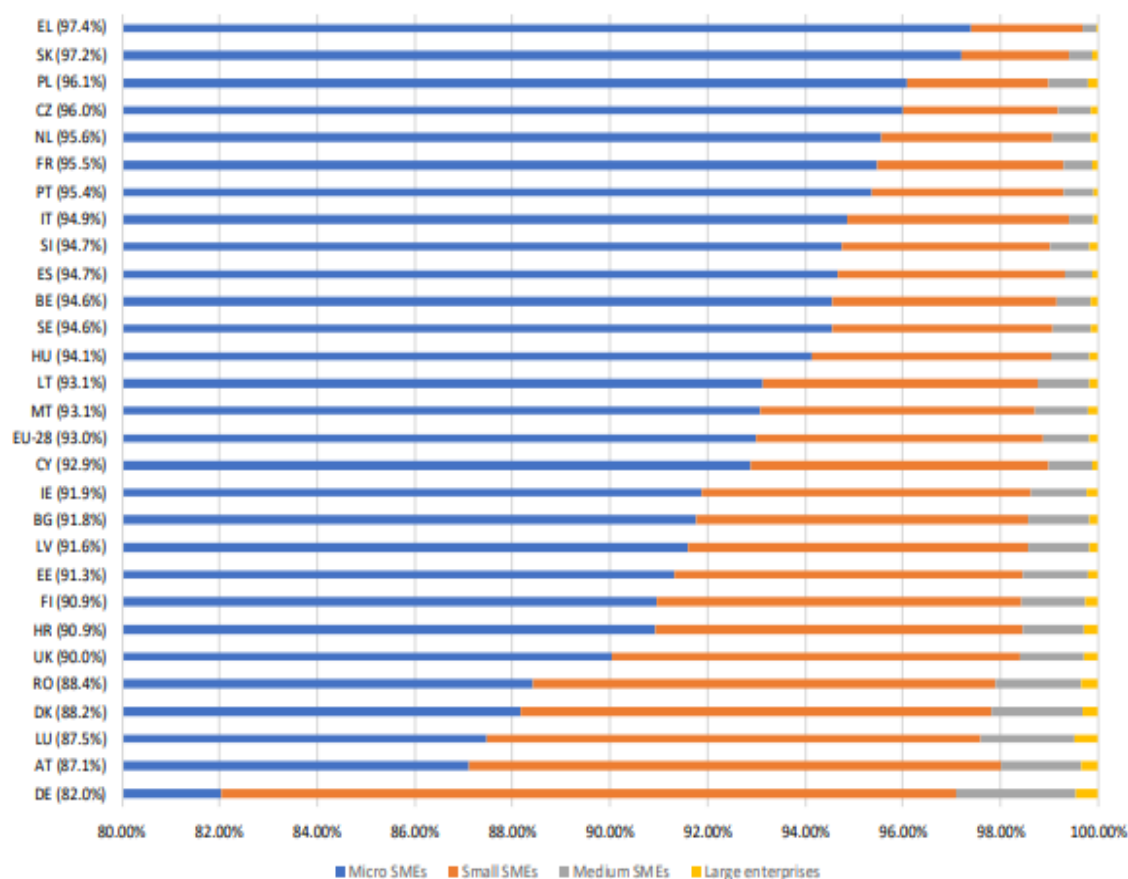
In 2018, there was a notable recovery in the performance of SMEs across the EU-28 Member States, with value added and employment growth recorded in all countries for the first time in years. Overall, EU-28 SME value added grew by 4.1% and SME employment by 1.8%, indicating a positive trend for SMEs. Micro SMEs were particularly successful in driving this recovery, with the strongest value added and employment growth recorded among all SME size classes. This trend was observed across all member states, indicating a positive and widespread economic recovery for SMEs in the EU.

According to the data provided, almost half of the SMEs in the EU undertook innovation activities between 2014 and 2016, with some focusing on disruptive or breakthrough innovations while others focused on more incremental innovations.<sup>1</sup> The participation of SMEs in innovation activities varies significantly across the EU-28, with innovating SMEs ranging from 10% in Romania to 66% in Portugal.<sup>1</sup> It is important to note that the data comes from the companies' self-assessment of their relevant activities and that innovating companies come from all sectors, not just the disruptive or digital sectors.

### **Start ups**

The EU was home to eight of the world's top 30 start-up ecosystems, highlighting the region's strong presence in the global start-up scene in 2018. While start-ups can be found in all EU Member States, smaller Member States like Cyprus, Estonia, Lithuania, Latvia, and Malta had the highest start-up intensities in the EU, indicating a thriving start-up culture in these countries. The European Startup Monitor 2019 offers more detailed information on the EU start-up population, providing insights into the trends, challenges, and opportunities that start-ups face across the region. These findings underscore the EU's commitment to fostering innovation and entrepreneurship, which are critical drivers of economic growth and job creation.

The numbers indicate that in 2018, SMEs played a critical role in the Non-Financial Business Sector (NFBS) of the EU-28. SMEs comprised nearly all of the enterprises in the NFBS sector, accounting for 99.8% of them. Additionally, SMEs in the NFBS sector were responsible for two-thirds of the total employment in the EU-28, indicating the significant role that SMEs play in job creation in the region. Finally, SMEs generated slightly less than three-fifths (56.4%) of the value added in the NFBS sector, highlighting their contribution to the overall economic output in the region.



**4. Figure: Share of micro, small and medium-sized SMEs in the EU-28 and Member in 2018**

Source: EUROSTAT

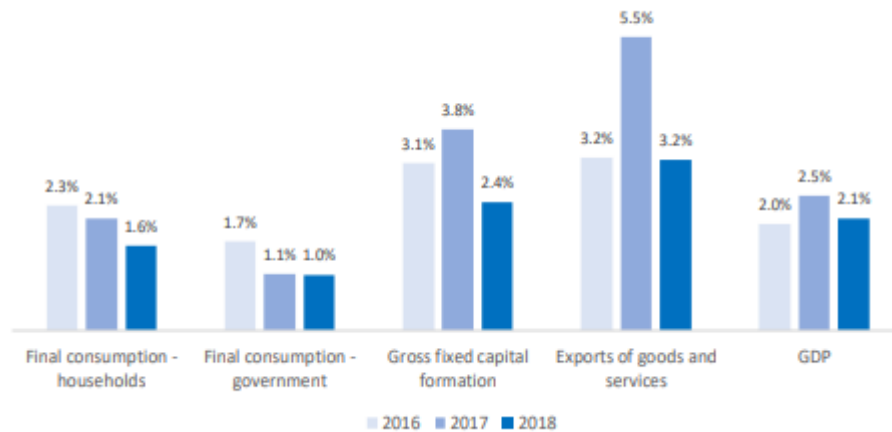
As we can see from the above figure, SMEs typically account for a larger portion of employment. SMEs accounted for more than 75% of employment in Cyprus, Bulgaria, Estonia, Greece, Italy, Malta, Lithuania, Latvia, and Portugal. Similarly, SMEs contributed more than 75% of NFBS value added in Cyprus, Estonia and Malta.

The demand factors affecting SMEs in EU-28 NFBS vary across industries. While some SMEs are more sensitive to the final consumption of households, others depend on the strength of exports of goods and services, gross fixed capital formation, or the final consumption of government. A simple correlation analysis reveals that most industries in the



EU-28 NFBS are highly correlated with overall GDP growth from 2008 to 2018. However, the impact of fluctuations in different aggregate demand components differs significantly across industries. For instance, the value added in the manufacturing industry is closely tied to exports of goods and services and gross fixed capital formation, while the growth of value added in the construction industry is highly correlated with growth in gross fixed capital formation. The growth of value added in the wholesale and retail trade and repair of motor vehicles and motorcycles industry is driven by both gross fixed capital formation and the final consumption of households. The transportation and storage industry is mainly driven by growth in exports of goods and services and gross fixed capital formation, while value added growth in accommodation and food services is largely influenced by gross fixed capital formation and the final consumption of households. The growth of value added in industries such as information and communication, professional, scientific and technical activities, and administrative and support service activities depend on growth in exports of goods and services and gross fixed capital formation. However, industries such as mining and quarrying, electricity, gas, steam and air conditioning supply, and water supply, sewerage, waste management, and remediation activities are not strongly affected by any aggregate demand components and are not highly related to changes in GDP.

#### 4.2.1. Analyzing comparison until 2018. What can be the reason of the change?



**5. Figure: Key macroeconomic aggregate demand**

Source: Eurostat

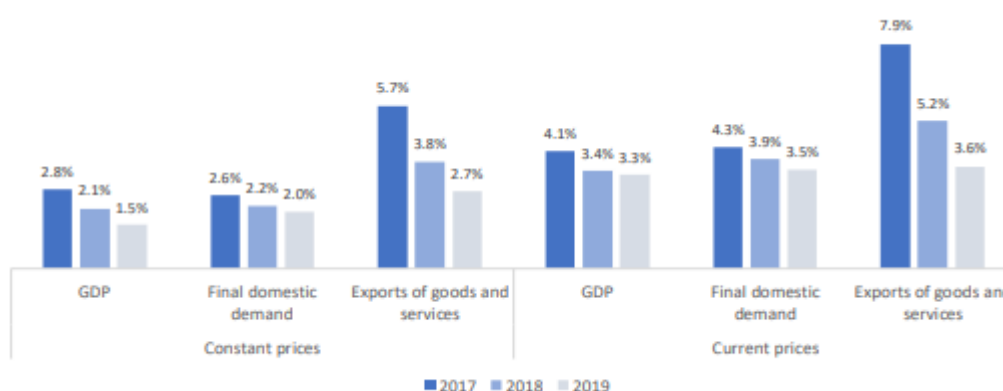
One major driver was external factors, particularly the weakness in external demand, which led to a normalization of trade dynamics as global growth fell back towards potential levels. (Dossche - Martinez-Martin: ECB Economic Bulletin, Issue 8/2018)

The charts and the decline in growth can also be described as the fixation of economic policies. Comparing the developments, or decreasing indicators with the introduction of strategies, we can see that until 2017, after the 2008 crisis, the sector needed a lot of help, but over the years their situation stabilized and there was no unified unity in the EU to maintain constant growth after strengthening the sphere, only the long-term goals so far.

### 4.3. Datas of 2019&2020

#### 4.3.1. The economic environment faced by EU SMEs in 2019

According to the data, EU-27 SMEs faced challenging trading conditions prior to the COVID-19 pandemic. The volume and value of EU-27 domestic demand and exports of goods and services slowed in 2019, leading to a widespread slowdown in economic growth across all EU-27 Member States. With the exception of six countries, all Member States posted lower GDP growth in 2019 than in 2018. Despite the slowdown, all economies continued to operate above their normal levels, with actual GDP output exceeding potential GDP output. Additionally, labor markets were generally tight during this time.



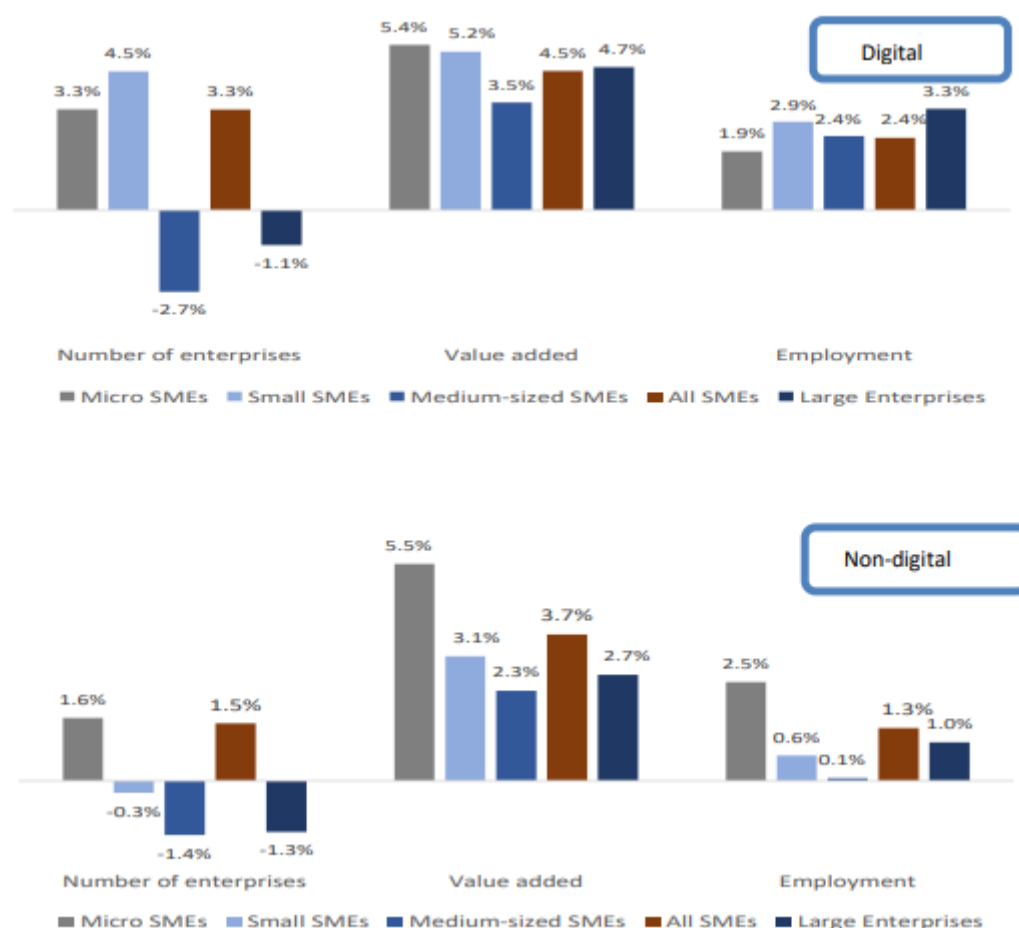
6. Figure: Annual growth in EU-27 domestic demand and exports of goods and services

Source: Eurostat

The economic environment faced by EU SMEs in 2019 was characterized by a slowdown in overall economic growth, but the EU economies were still operating above their potential. In terms of SMEs, there was a notable increase in the number of SMEs in the digital sector, which grew by 3.3%, compared to the non-digital sector, which only grew by 1.5%. Additionally, SMEs in the digital sector generated a higher value added (in current prices) compared to SMEs in the non-digital sector, with an increase of 4.5% and 3.7%, respectively. Digital SMEs are businesses engaged in activities such as the manufacture of computer, electronic and optical products, telecommunications, computer programming, consultancy, and related activities, as well as information service activities. These businesses are considered digital SMEs because they rely heavily on technology and digital platforms to conduct their operations. They are part of a growing industry that has become increasingly important in the modern economy, with the potential to drive innovation and growth. The

growth of digital SMEs has been particularly notable, with higher rates of increase in number, value added, and employment compared to non-digital SMEs.

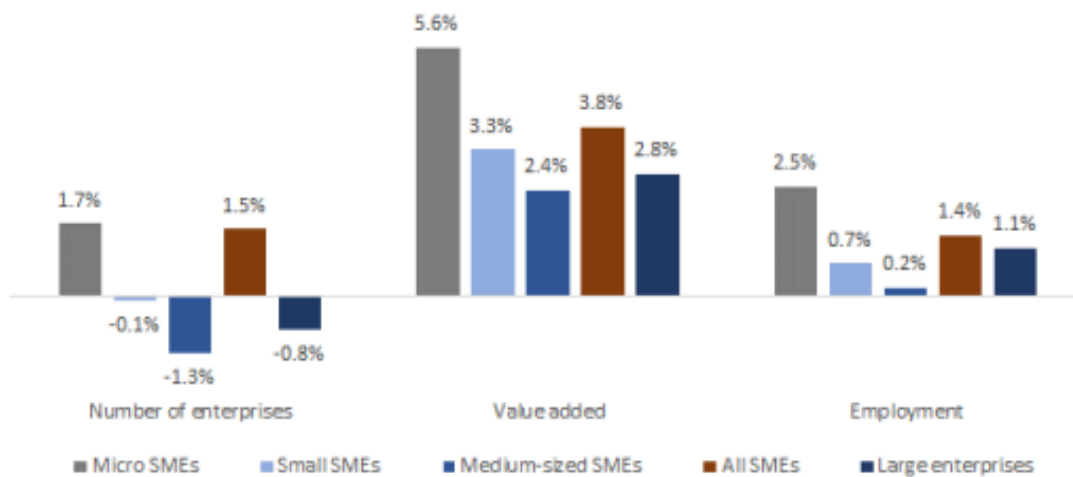
Employment growth was also higher in the digital sector, with a growth rate of 2.4% compared to 1.3% in the non-digital SMEs. All enterprise size classes recorded growth in value added and employment for 2019, with EU-27 SMEs posting stronger growth than that of large enterprises, particularly in terms of growth in value added.



**7. Figure: performance indicators in the digital sector and non-digital sector 2019**

Source: Eurostat

The challenging trading conditions in 2019 did not prevent many SMEs from facing typical problems associated with operating at or above normal, efficient levels in a tight labor market, particularly for skilled workers. These problems included concerns about the availability and cost of skilled staff and experienced managers.



**8. Figure: Growth rate among enterprise size classes in 2019**

Source: Eurostat

However, the relatively benign environment was soon to change dramatically in 2020.

#### **4.3.2. Data of 2020**

Europe's industrial production has been a key driver of its economy, with the EU being one of the largest economies in the world. In 2018, the EU's GDP was estimated to be \$18.8 trillion, representing nearly 23% of global GDP. The EU's focus on production of finished goods and services has been a significant contributor to this growth.

The production of food products in the EU 28 increased by nearly 117 billion (16%) compared to 2008, while machinery and equipment production in the UK increased by 1.8% and reached nearly \$36 billion in 2018. Germany, Italy, France, UK, Spain, and Poland are the six member states that generate more than 75% of the value of sold production in the EU 28. No one could have guessed towards the end of 2019 what would happen to the world if a dangerous epidemic appeared out of nowhere. The COVID 2019 virus began to spread tremendously in our global world and affected almost every aspect of our lives including our economy and jobs.

However, the COVID-19 pandemic has caused significant challenges for the European industrial sector. Many factories have been forced to shut down, and there have been shortages of raw materials. European countries, including Italy, Spain, and the UK, have been among the hardest hit by the pandemic. This has resulted in a recession in the region, with many businesses struggling to survive. The COVID-19 pandemic has had a significant impact on the European economy. According to the European Central Bank, during the first phase of the pandemic, the economic impact of the crisis was evident in severe labor market disruptions, affecting local labor markets to varying degrees. The pandemic has caused the most significant setback to the European economy since the Great Depression, with almost all sectors being affected.

The European Commission stated that the decline in the growth rate of the European economy was due to the supply shocks and the liquidity squeeze, and that a considerable part of this drop-in activity can be reversed by economic policy. The Impact of COVID-19 on the European Economy study shows that the pandemic has affected various industries such as automobile, food & beverage, machinery, electrical and electronics, aviation, retail and e-commerce, and healthcare.



**9. Figure: SME associations on the most common impacts of Covid-19 on SMEs**

Source: Survey of SME associations run by LE Europe in November/December 2020

To mitigate the effects of the pandemic, the European Union has implemented fiscal measures worth more than €3 trillion, while the US government passed an unprecedented \$2 trillion stimulus package, including direct payouts to millions of Americans.

The Covid-19 pandemic had a significant and negative impact on the EU-27 SME sector in 2020. The sector experienced a sharp decline in economic activity, with SMEs generating a lower value added in current prices.

The decline in value added (in current prices) generated by SMEs by 7.6% in 2020 is a significant reduction compared to the growth rate of 3.8% achieved in 2019. Additionally, SME employment declined by 1.7% in 2020, following a period of growth of 1.4% in 2019. This highlights the challenges faced by SMEs in maintaining their workforce in the wake of the pandemic. The decline in both value added and employment underscores the need for targeted support and resources to help SMEs recover from the economic effects of the crisis. The Covid-19 pandemic had a significant impact on SMEs in the EU-27, with some industries being hit harder than others. According to data, the industries in which SMEs were worst affected in terms of value added were 'accommodation and food service activities', 'transportation and storage', 'administrative and support service activities', 'manufacturing', and 'wholesale and retail trade'. These industries experienced declines ranging from 4.4% to 37.8%, with the accommodation and food service activities being the most affected. On the other hand, SMEs in industries such as 'real estate activities', 'information and communication', 'electricity, gas, steam and air conditioning supply', 'construction', and 'professional, scientific and technical activities' were least affected. In fact, in the first two

industries, SME value added grew by 1.8% and 0.8% respectively. The data suggests that while the pandemic affected most industries, some were better equipped to weather the storm than others. SMEs in industries that were able to adapt to the new reality were able to thrive despite the challenging environment.

	Ceased trading temporarily	Sought financial support from the government to reduce costs in the short term	Used public job retention scheme(s) to cover staff costs in the short term	Accessed internal financial resources to continue operating	Accessed external financial resources to continue operating	Stopped paying some expenses (e.g. rent, utility payments, tax deferral, etc)
BG	22%	23%	14%	38%	10%	23%
DE	11%	21%	21%	33%	9%	13%
EE	16%	23%	30%	44%	9%	27%
EL	13%	49%	36%	33%	15%	30%
FI	10%	23%	6%	39%	15%	16%
FR	36%	48%	28%	30%	26%	21%
IT	26%	53%	54%	55%	29%	16%
NL	12%	37%	31%	31%	7%	16%
SI	25%	16%	27%	56%	12%	10%

**3. Table: Percentage of SMEs reporting various measures to limit the impact of Covid-19**

Source: ANNUAL REPORT ON EUROPEAN SMEs 2020/2021 (European Commission)

In 2020, several surveys and analyses were conducted to assess the impact of the COVID-19 pandemic on small and medium-sized enterprises (SMEs). One such survey was conducted by Facebook, the OECD, and the World Bank in late May of 2020. The survey found that 21% of survey respondents in Europe had temporarily closed their businesses between January and May of 2020, primarily in response to government lockdown measures. However, there were significant variations across countries, with only 8% of German businesses reporting temporary closures.

Additionally, the survey revealed that 61% of European survey respondents reported a decline in sales during the January-May 2020 period, and 22% reported a decrease in employment. Another survey conducted by McKinsey in August of 2020 found that 65% of SMEs in France, 58% in Germany, 80% in Spain and Italy, and 71% in the UK reported declines in sales. Furthermore, 13% of SMEs in France, 10% in Germany, 11% in Spain and Italy, and 9% in the UK expected to go bankrupt within six months.

A report by the OECD on financing conditions faced by SMEs in 2020 noted that the sudden and sharp decline in sales revenues during the first half of the year created acute liquidity shortages and posed a serious threat to the survival of many viable businesses. However, an increase in demand for bank lending and a steady supply of credit supported by government



programs and interventions helped SMEs survive during these challenging times. Nevertheless, other sources of financing did tend to dry up, particularly early-stage equity.

#### **4.3.3. Comparison of the economic situation of 2018-2019:**

The economic slowdown in 2018 continued for the given reasons (4.2.1.) in 2019.

- There was relative growth, but no absolute growth was observed, as the figures of 2018 in % showed higher growth than in previous years (figure 7, figure 8).
- With the end of 2019 and the arrival of Covid, several more triggers started to get involved in the deteriorating situation in the economy.
- Several countries in Europe have been heavily affected by the pandemic, leading to strict sanctions for small and medium-sized enterprises.

Since the virus spreads through physical contact, governments and the EU have tried to minimize it.

#### **Presenting an example in the case of an SME - *sanction of the gym's scenario:***

1. A private gym was affected by the imposition of a sanction that limits its opening hours.
2. As a result, the profit decreases and in some places ceases.
3. The wages of the employees are not affordable, so they end up unemployed.
4. Cannot remain an active player in the economy as a customer without earnings (whom is the driving factor of materialism - which is part of our everyday life).

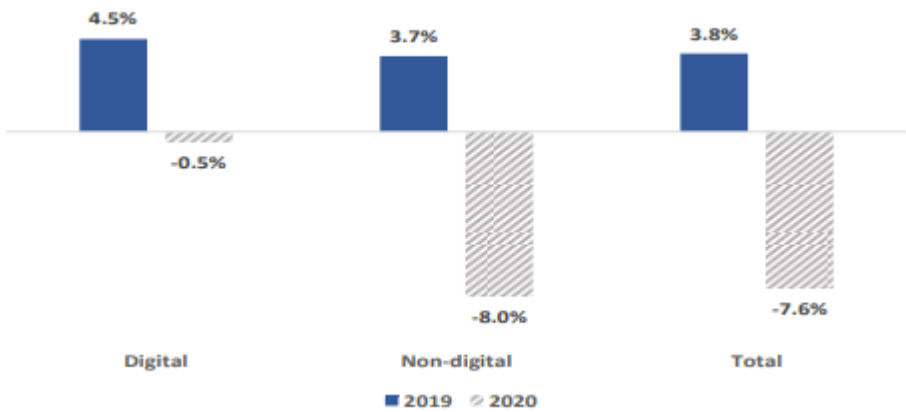
Regarding the significant decrease in data by 2020 does not show the success of the EU's protective policy, which was used for economic protection against COVID (2.3.2) in the year 2020. It couldn't stop or stabilize the situation, due to lack of time in response. The Coronavirus Response Investment Initiative (CRII) proposed by the European Commission to help EU citizens and Member States to deal with the consequences of the COVID-19 pandemic: mobilizes €8 billion from existing liquidity under the structural funds and supplements it with €29 billion of structural funding across the EU, bringing the total investment up to €37 billion. This funding can be redirected towards coronavirus-related expenditures, particularly in the areas of healthcare, support for small and medium-sized enterprises (SMEs), and short-term work measures. I did not find recent data on the utilization of resources and opinions on the procedure, so I came to the conclusion that with

such large sums and offering so much help, the lack of utilization could be one of the reasons for the data obtained. (figure10).

**Did the virus affect the digital sector in the same way?**

If we examine the question based on the previous thought statement (that the virus can be slowed down by reducing physical contact), the digital sphere is not really involved in most sensory changes.

I think that thanks to digitization, SMEs could be placed on a more secure ground, which could guarantee a much easier survival, e.g. the service sector, online order options for restaurants, etc. The EU has already recognized the advantages of digitization, but during the COVID period we can observe even more that the emphasis has only increased. (2.3.2)



**10. Figure: Value added change (in %) of EU-27 SMEs in the narrow digital and non digital sectors**

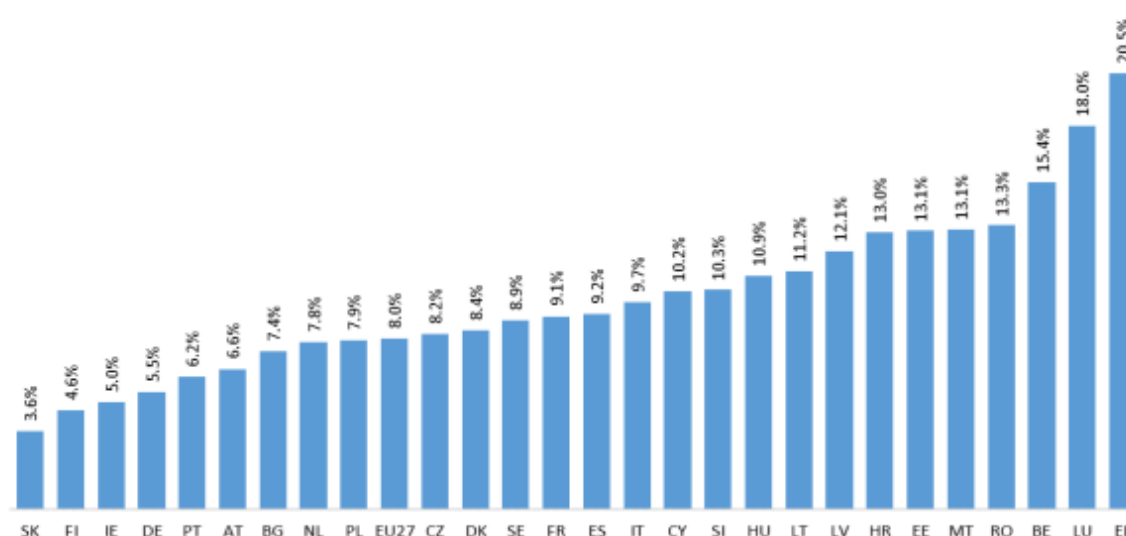
Source: Eurostat

Based on the figure above, we can see that less damage can be detected in the digital sector, which is due to the EU's several years of economic policy aimed at strengthening the digital sphere.

## 4.4. Could 2021/2022 be the years of recovery?

### 4.4.1. Data of 2021

In 2021, small and medium-sized enterprises (SMEs) in all Member States experienced growth in value added. Three Member States, namely Belgium, Greece, and Luxembourg, saw SMEs achieve a value added growth rate of over 15%, with Greece recording the highest growth rate of 20.5%. Most Member States also saw an increase in SME value added in 2021 compared to 2019, with only five exceptions, namely Cyprus, Spain, Italy, Malta, and Portugal.



**11. Figure: Annual growth rate of SME value added in 2021 in the EU-27 and across EU Member**

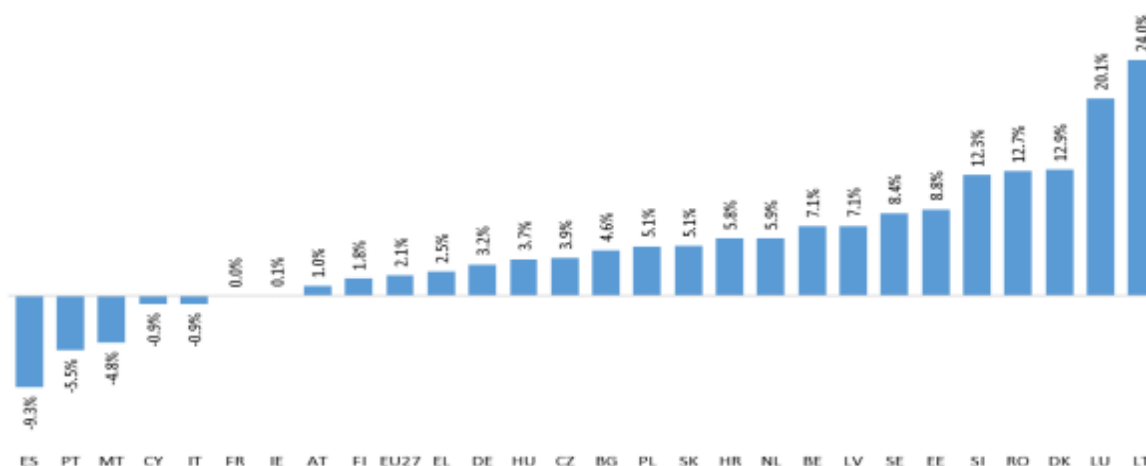
Source: Calculations by the JRC based on Eurostat's Structural Business Statistics, Short-Term Business Statistics and National Accounts Database

On the other hand, Lithuania and Luxembourg saw substantial increases in SME value added of more than 20% since 2019.

In 2021, SME employment in most Member States grew by between 1.0% and 3.0%, with only two Member States, namely Malta and Portugal, experiencing growth rates of more than 3%. However, SME employment declined in seven Member States, with Estonia and Latvia recording the largest declines of 2.5% and 2.0%, respectively.

## What is the reason behind the improvement of the 2021 results?

As we can see in value added growth 2021, most member states showed higher growth compared to 2019.



**12. Figure: SME value added change in 2021 compared to 2019 of the EU-27**

Source: Calculations by the JRC based on Eurostat's Structural Business Statistics, Short-Term Business Statistics and National Accounts Database

The change in numbers can be a result of different areas of the topic.

	Annual change (in %) in 2021 relative to 2020			Cumulative change (in %) in 2021 relative to 2019		
	Value Added	Employment	Enterprises	Value added	Employment	Enterprises
Micro SMEs	8.6%	1.2%	1.3%	2.1%	-1.0%	-0.5%
Small SMEs	7.7%	0.0%	-0.1%	2.2%	-1.5%	-1.4%
Medium-sized SMEs	7.7%	-0.1%	-0.4%	1.8%	-2.2%	-2.6%
Large enterprises	10.8%	0.7%	0.0%	3.9%	-1.6%	-2.7%
All SMEs	8.0%	0.5%	1.2%	2.1%	-1.5%	-0.6%
Total	9.3%	0.6%	1.2%	3.0%	-1.5%	-0.6%

**4. Table: Value added change in employment and number of enterprises in 2021 compared to 2020 and 2019.**

Source: Calculations by the JRC based on Eurostat's Structural Business Statistics, Short-Term Business Statistics and National Accounts Database

A root cause may be the strengthening and use of economic measures (2.3.2) over time, but in addition, the abatement of the epidemic may also be a strong cause (figure 16), which can already be observed from the beginning of 2021. Since the slowing down of the spread of the epidemic encouraged the member countries to abandon the sanctions, this allowed the economy to breathe for a while, so we can see the increasing productivity of the sector.



**13. Figure: Case number of covid from 2020 in million people**

As a result of the apparent respite, the virus gained more ground and claimed even more victims by the end of 2021 (figure 16) and the member states again initiated the introduction of stricter sanctions (Curfew, wearing masks in public spaces, etc.). In spite of all this, the still growing data allows to conclude that the deepening of experience and solutions and commitment to economic decisions - such as the CRII, Digital Innovation Hubs network, Green transition and Single Market Strategy - showed its long-term results and we could already see a more economically stable Europe in this wave.

#### 4.4.2. The expected performance of EU-27 SMEs in 2022

Since the public publication does not provide final report data and statistics for 2022, I provide data from forecasts made for 2022, which summarize and examine economic development and various indicators developed over the years, examining the effects of the virus and subsequent developments.

	Value Added	Employment	Number of Enterprises
Micro SMEs	7.2%	2.1%	1.7%
Small SMEs	6.6%	1.2%	0.8%
Medium-sized SMES	6.8%	1.1%	0.8%
Large enterprises	7.3%	1.7%	1.4%
All SMEs	6.9%	1.6%	1.6%
Total	7.1%	1.6%	1.6%

**5. Table: Projected annual growth in 2022 of value added, employment and number of enterprises – SMEs**

Source: Calculations by the JRC based on the European Commission's Autumn 2021 Economic Forecast, Eurostat's Structural Business Statistics, Short-Term Business Statistics and National Accounts Database

The outlook for enterprise size classes in 2022 is positive, with all size classes expected to experience growth in all three performance indicators (figure 13.). However, micro enterprises are predicted to perform better than any other size class, while small enterprises are expected to perform least well in all three performance indicators. Value added growth is expected to be particularly strong for SMEs overall, with an anticipated growth rate of 6.9%. It is important to note that value added is expressed in current prices, meaning that it does not take into account the effects of inflation. Furthermore, the inflation-adjusted value added is expected to increase somewhat less than half as fast as the current price value added. This implies that while the overall growth rate of value added may be high, it may not fully account for changes in the price level of goods and services produced.

Overall, these predictions suggest that 2022 may be a positive year for enterprise growth across all size classes, with SMEs and large enterprises expected to experience growth in value added.

### Key SME performance indicators in 2022 relative to their pre-pandemic levels of 2019

In terms of employment, micro enterprises are expected to be the best performing size class, with their 2022 level of employment anticipated to be 101.1% of their 2019 level. This implies that SMEs as a whole are expected to recover to their 2019 level of employment by 2022, despite a weaker predicted recovery by small (99.7%) and medium-sized (99.0%) enterprises. Employment in large enterprises is expected to be very similar in 2022 to its 2019 level, with a slight increase of only 0.2% during the period.

Furthermore, micro enterprises are the only enterprise size class expected to experience an increase (of 1.2%) in the number of enterprises in 2022 compared to 2019. The other enterprise size classes are expected to post slight decreases in the number of enterprises compared to 2019.

	Value Added	Employment	Number of Enterprises
Micro SMEs	109.5%	101.1%	101.2%
Small SMEs	109.0%	99.7%	99.3%
Medium-sized SMEs	108.7%	99.0%	98.1%
Large enterprises	111.5%	100.2%	98.7%
All SMEs	109.1%	100.1%	101.1%
Total	110.2%	100.1%	101.0%

**6. Table: Expected EU-27 value added, employment and number of enterprises in 2022 as % of enterprises of their 2019 values**

Source: Calculations by the JRC based on the European Commission's Autumn 2021 Economic Forecast, Eurostat's Structural Business Statistics, Short-Term Business Statistics and National Accounts Database

## 5. Conclusions and recommendations

Since the thesis does not focus on the individual economic policies of the member states, the analysis only presents changes and correlations with the environmental impact of EU.

Dozens of small and large decrees have been issued in the EU in recent years to change environmental factors for the sake of positive change for SMEs.

From the beginning of the 2000s, the number of people employed by SMEs increased by 10.5% based on the comparison of 2.3 and 3.1. Inferred from this This shows that the economy of SMEs were recovering from the effects of the 2008 crisis properly but somewhat slowly (almost a decade).

After 2017, a slowing growth trend began, which, in my opinion, was the result of following stabilized steps (positive) due to not any other effect then the genreal decreasing demand globally. In addition, the lack of setting short-term goals can be observed, because most of the initiatives and regulations think in terms of 5-10-year horizons, such as EUROPE 2020 (2.3.2), but even in the economic development of a country, there is too much time to achieve certain goals, let alone in a small or even medium-sized enterprise, so the improvement slows down.

The changes during the time of COVID also prove that it was not possible to keep up with an unexpected event related to this. There was no contingency plan, so problem solving had to start at the beginning, with ideation, and could only be planned afterwards. In my opinion, it is important and necessary to prepare for various contingencies, especially in the global world economy. As a result of this, we can see the severe decrease in the indicators (figure 8.).

In my opinion, it is necessary to announce more calls for tenders that encourage competition, which can be used specifically for the realization of short-term goals, thus stimulating and exerting influence on the EU's short-term results.

Another factor is that SMEs do not yet fully benefit from data, the lifeblood of the digital economy. Many are not aware of the value of the data they create, and are not sufficiently protected or prepared for the upcoming data-agile economy. The formulation and promotion of a specific strategy for this would help the sector a lot.



## 6. Summary

In my paper, I have delved into the development of the SME sector in recent years. With the help of various indicators, the thesis presents their economic situation in the given interval, which is related to the impact of EU measures and global implications. By comparing quantitative data, it draws conclusions about the possibilities of the development of the given situation and mentions possible better options. Summarizing everything, the European Union is taking huge steps towards the development of the small and medium-sized business sector, realizing that it is the main driving force of its economy. Its decisions are made somewhat slowly but thoughtfully. Carries out the plans and tries to maintain the rate of growth achieved, but this can be influenced, and it is influenced by many things other than the economic policy steps taken by the EU.

By providing resources and further training, companies that can develop their businesses within the framework of EU regulations, such as digitalization or even environmental awareness, can gain an advantage. Many SMEs are well equipped, being flexible, high-tech, innovative and committed to the values driving sustainability and the circular economy, but unfortunately, the number of these businesses is not high enough.

In addition to achieve and stabilize long-term goals, shorter-term goals and expectations for the sector should come into focus.

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## 9. Appendices


### Appendix 1 – Declaration

#### STUDENT DECLARATION

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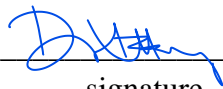
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## **ABSTRACT OF THESIS**

**Thesis title: Small and Medium-sized Enterprises in EU**

**Author name: Dmour tamara**

Course, level of education: Business administration management Bachelor

Host Department/Institute: Faculty of Economics and Social Sciences

*Primary thesis advisor:* Dr. Turzai-Horányi Beatrix, University Adjunct Professor, Faculty of Agricultural and Environmental Sciences

Text formatting: Times New Roman, 12 point size, 1,5 spacing, both side justified, top & bottom margins – 2.5 cm, right and 3 cm margin on the left side (binding side).

The paper presents an insightful analysis of the SME sector and their economic situation in recent years with a focus on the impact of EU measures and global implications. It is clear that the EU recognizes the importance of small and medium-sized businesses as the main driving force of its economy and is taking steps towards their development.

It is noted that the decisions made by the EU are made slowly but thoughtfully, and the plans are carried out to maintain the rate of growth achieved. However, it is important to acknowledge that the success of the SME sector is influenced by many factors beyond the economic policy steps taken by the EU.

It suggests that providing resources and further training to companies that can develop their businesses within the framework of EU regulations can give them an advantage. It is encouraging to see that many SMEs are already well-equipped with flexibility, high-tech solutions, innovation, and a commitment to sustainability and the circular economy.

In addition to achieving and stabilizing long-term goals, it is suggested that shorter-term goals and expectations for the sector should be considered. This is a practical approach to ensuring the continued success of the SME sector. Overall, it presents a researched and insightful analysis of the SME sector and its relationship with EU measures and global implications.

## DECLARATION

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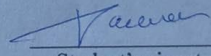
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