

Small and medium-sized enterprises in the regions of the Slovak Republic

The development of small and medium-sized enterprises is one of the basic prerequisites for the healthy economic development of cities, municipalities, regions and the whole country. Small and medium-sized enterprises in Slovakia account for 99.9 % of the total number of business entities, provide employment opportunities for almost three quarters (74 %) of the active workforce in the business economy and account for more than half (55 %) of the value added. 97 % of SMEs are micro-enterprises with fewer than 10 employees.

Due to different natural, economic and social conditions or historical contexts, the conditions for entrepreneurship differ in individual regions of Slovakia. These ultimately contribute to the uneven development of regions, including small and medium-sized enterprises. More than one-fifth of active small and medium-sized enterprises in Slovakia (22.7 %) had their headquarters in the Bratislava Self-Governing Region (BSR) in 2020. Overall, the region registered the highest number of active SMEs, as many as 135,377. BSR is also characterised by the highest growth dynamics in the number of SMEs. Over the past 10 years, the number of SMEs in the region has increased by 17.5 %, but only by 7.5 % in Slovakia as a whole. The high entrepreneurial attractiveness of the region is confirmed by the highest level of SME entrepreneurial activity in Slovakia, with almost 38 active SMEs per 100 economically active inhabitants of BSR. Another specificity of the Bratislava Region is the persistent increase in the number and higher resilience of SMEs even in times of crisis, which was confirmed during the global financial crisis or the corona crisis. The centre of entrepreneurship is the city of Bratislava, where 79.3 % of active SMEs from the region and 18.0 % from the whole Slovakia are based. Compared to other regions of Slovakia, BSR is characterized by the highest share of women among natural persons - entrepreneurs (36.6 %) and the lowest share of young entrepreneurs up to 29 years of age (12.9 %). A typical feature of BSR is the lowest share of SMEs with a positive economic result, while in the area of financial productivity of labour the companies are among the most efficient in Slovakia. The high level of development of the knowledge economy in BSR is confirmed by the highest share of SMEs operating in high-tech sectors (8.9 %).

The situation is different in the neighbouring Trnava Self-Governing Region (TTSR), where the third lowest number of SMEs in Slovakia was registered in 2020 (58,822) and the growth in the number of entrepreneurs in the region has long been among the slowest in the Slovak Republic. The exception of increasing abundance despite the onset of the corona crisis also applies in the case of TTSR. After BSR, the Trnava Region has the second lowest share of entities with a positive economic result (65.8 %). At the same time, SMEs based in the region are among the most indebted. In 2019, one in five (21.5 %) SMEs used bank loans as an external source of finance. The lack of competitiveness of SMEs in TTSR at the international level and the high concentration of foreign investors (mainly in the automotive and electronics industries) has resulted in the long-term dominance of large enterprises in the foreign trade exchange of goods. SMEs account for only about one-fifth of the region's total exports, which is the second lowest proportion compared to other regions. They also account for only 22.1 % of imports, making their position the weakest compared to other regions.

At the end of 2020, the Trenčín Self-Governing Region (TSR) had the absolute lowest number of small and medium-sized enterprises in Slovakia (55,337). At the same time, this is where the slowest increase in the number of SMEs is taking place. Since 2005, the number

of SMEs in the region has increased by 17.5 %, and by 39.5 % in Slovakia as a whole. The 2020 corona crisis contributed to a 1.5 % year-on-year decline in the number of SMEs. The tradition of the industry in Považie is reflected in a more significant representation of this sector among SMEs. In 2020, it reached 17.2 %, which is 3.6 percentage points higher than for all SMEs in Slovakia. Low entrepreneurial activity is also reflected in the low number of newly established SMEs (7,451), which is the absolute lowest value among the regions of the Slovak Republic. The strength of companies based in TSR is their financial performance, as evidenced by the highest share of entities with a positive economic result (67.9 %) and the lowest indebtedness among all regions of the Slovak Republic.

Due to favourable geographical and climatic conditions, the Nitra Self-Governing Region (NSR) used to focus mainly on agriculture. The region is now more diversified by sector, with business activity concentrated in the largest cities. A positive sign of the development of entrepreneurial activities is the increase in the number of SMEs in the region by one third over the past 15 years. Most SMEs are concentrated in the Nitra district, where more than a quarter (26.3 %) of all active SMEs in the region are based. Among the regions of the Slovak Republic, SMEs from the Nitra region have the strongest export position. During 2019, as much as 51.6 % of the total exports of companies from the region were made, while the average for the Slovak Republic was 28.1 %. SMEs play an even more important role in imports, as they accounted for 54.6 % of the total imports of firms from the NSR.

After the Bratislava Region, the second highest number of active SMEs (80,795) was registered in the Žilina Self-Governing Region (ŽSR). The number of SMEs in the region grew at the same rate as in Slovakia as a whole. ŽSR is one of the regions with an above-average level of SME entrepreneurial activity, with 23 active SMEs per 100 economically active inhabitants. In particular, sole traders contribute to the high level of entrepreneurial activity. The Žilina Region is home to the largest number of registered SMEs (50,601 in 2020), which represents almost two thirds of all SMEs in the region. The most important sector in the sectoral structure of SMEs in the region is services with a share of 35.6 %. However, the share of services is the lowest compared to other regions. The construction industry plays a very important role in ŽSR with a share of 27.4 %. The high proportion of young population is also reflected in the structure of entrepreneurs. ŽSR is characterized by the highest representation of young entrepreneurs under the age of 30 (21.1 %) among all regions of the Slovak Republic. SMEs in the region also boast the highest financial productivity of SME labour in Slovakia.

The Banská Bystrica Self-Governing Region (BBSR) is the largest region in terms of area and the least populated region in terms of the number of inhabitants per km² in Slovakia. In terms of SMEs, it is one of the regions with the lowest number (56,753). This corresponds to the second lowest rate of SME entrepreneurial activity in Slovakia - 17 active SMEs per 100 economically active population. The sectoral structure of SMEs in the region differs from other regions by a higher share of agriculture (8.2 %). SMEs in the BBSR reacted most sensitively to the effects of the Covid-19 pandemic, with a 7.9 % year-on-year decline in new registrations. On the positive side, the median indebtedness of the assets of small and medium-sized enterprises in the region has fallen every year. However, it reached 52.1 % in 2019, which is the highest indebtedness in the whole of the Slovak Republic. In addition, SMEs in the region are also characterised by the highest use of bank loans (22.6 %).

The Prešov Self-Governing Region (PSR), the largest in terms of area and population, is characterised by a favourable demographic development of the population, the development of traditional industries and crafts, and, last but not least, favourable conditions for the development of tourism. The third highest number of small and medium-sized

enterprises in the Slovak Republic (77,657) is registered in the territory of the PSR. Given the high number of economically active inhabitants, entrepreneurial activity is below average - 20 active SMEs per 100 inhabitants. Similarly to the Žilina Region, a high number of sole traders is registered in the PSR - 50,550, which make up two thirds of all SMEs in the region and a strong representation of the construction industry with a share of 28.0 %. The problem of SMEs in the region is the penetration of foreign markets. Despite the high number of active SMEs, only 3.5 % of firms exported. PSR has the lowest share of SMEs in high-tech sectors (4.1 %), which points to the insufficient level of development of the knowledge economy and the need for its support.

The unflattering, lowest rate of entrepreneurial activity (16 active SMEs per 100 economically active inhabitants) is characterised by the Košice Self-Governing Region (KSR). The long-term trend, according to which the number of SMEs in the region is increasing at a slower pace than the Slovak average, does not point to an improvement either. A clear centre of entrepreneurial activities is the city of Košice, where 26,468 active SMEs (43.3 % of all SMEs in the region) had their headquarters. The most important sector in the sectoral structure of SMEs in the region is services with a share of 46.2 %. Problems with exports in companies based in Eastern Slovakia are also confirmed by the results of KSC, where only 4.6 % of active SMEs in the region exported. This is the second lowest share in Slovakia after the Prešov Region. The presence of universities in the regional city contributes significantly to the higher representation of SMEs in high-tech sectors (5.3 %).