



## EUROPEAN POLICY FOR SMALL AND MEDIUM SIZED ENTERPRISES

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**Abstract** *European economy is still experiencing a difficult period in terms of recovery. Efforts are directed towards the accumulation of growth to an extent that growth trend to be positive. An engine of growth in Europe is represented by small and medium enterprises, generating jobs and sustaining economic and social cohesion. The same time, the proper functioning and development of this important sector generates wealth among European citizens. Ultimately, amid the ongoing economic situation the SMEs capacity of adaptation and reconfiguration represents now the key factor on which depends a significant part of the economy locally, regionally and globally.*

**Key words:**

Economy,  
development, SME,  
cohesion, policy

**JEL Codes:**

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### 1. Introduction

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Ultimately, amid the ongoing economic situation the SMEs capacity of adaptation and reconfiguration represents now the key factor on which depends a significant part of the economy locally, regionally and globally.

As Günter Verheugen, Member of the European Commission and Responsible for Enterprise and Industry said, "Micro, small and medium-sized enterprises (SMEs) are the engine of the European economy. They are an essential source of jobs, create entrepreneurial spirit and innovation in the EU and are thus crucial for fostering competitiveness and employment. The new SME definition, which entered into force on 1 January 2005, represents a major step towards an improved business environment for SMEs and aims at promoting entrepreneurship, investments and growth. This definition has been elaborated after broad consultations with the stakeholders involved which proves that listening to SMEs is a key towards the successful implementation of the Lisbon goals'."

In order to achieve a synthesis of the foregoing, the importance of SMEs can be represented in the form of the four essential aspects arising as a result of the economic climate with strong positive effects:

- growth,
- innovation,
- employment,
- social integration.



**Source:** Own interpretation

Figure 1. SME's approaches

### 2. Small and Medium Sized Enterprises in the European Union

An enterprise is considered to be any entity engaged in an economic activity, irrespective of its legal form. This includes, in particular, self-employed persons and family businesses engaged in craft or other activities and partnerships or associations regularly engaged in an economic activity. (COM, 2003)

The Commission establishes three categories in which SME's are divided:

1. The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.
2. Within the SME category, a small enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million.
3. Within the SME category, a microenterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.

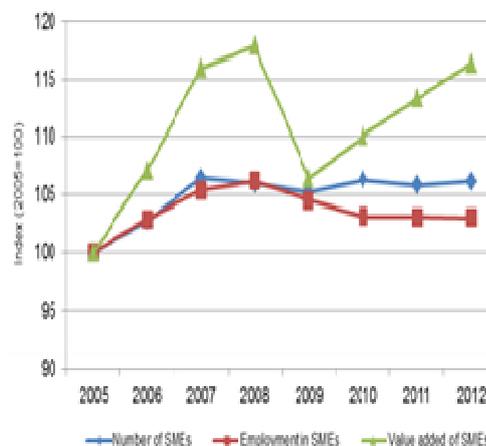


Source: [http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm)

Figure 2. SME's categories

SMEs account for almost 99% of all enterprises in the EU and account for a large share of total employment. The role of small and medium enterprises as the main generators of employment in the European Union confirms more than ever, the current situation marked by crisis and unstable and unpredictable economic climate. Furthermore small businesses are considered key factors to restore growth and, in particular, to reduce the effects of the crisis on employment in the EU. (COM, 2012)

For 2012 it is estimated that SMEs accounted for 67 per cent of total employment and 58 per cent of gross value added (GVA). (Ecorys, 2012)



Source: [http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/supporting-documents/2012/annual-report\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/supporting-documents/2012/annual-report_en.pdf)

Graph 1. Number of SMEs, employment in SMEs and value added of SMEs

Ecorys' report "EU SMEs in 2012: at the crossroads, Annual report on small and medium-sized enterprises in the EU, 2011/12" revealed that in 2012, SME represented 99.8% of non-financial enterprises, 92.2% being micro-enterprises and covering 67.4% of jobs. Small enterprises covered 6.5% and medium enterprises 1.1%.

For the numbers given above can easily deduce why they are considered the backbone and true growth engines that support the development of the whole society and economy.

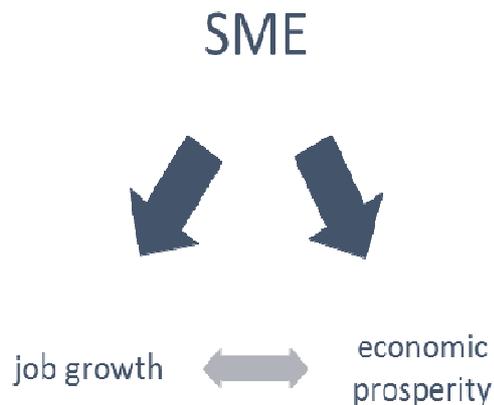
### 3. European Union's Policy for Small and Medium Sized Enterprises

Innovation, the ability to transfer knowledge and sustain economic and social cohesion is key issues in the future development of the European Union. Thus supporting and encouraging the development of the SME sector is fully justified especially in the context of the need to accumulate capital in the current economic conditions.

Competitive climate and increasing the competitiveness of the European market require new approaches in terms of tools to support SMEs in centralized perspective.

The strategy aimed at job growth, social inclusion and not least ensuring the economic and social well-being determined creating a much broader approach regarding the SME policy.

Important contribution to job growth and economic prosperity that it places the focus of European policy.



**Source:** Own interpretation

*Figure 3. SME's contribution*

The manner of approaching at political level is represented by the "Think small first" principle that was included in the agenda of the Small Business Act that is based on 10 principles in drawing coordinates of the new policy in the field: (COM, 2008)

1. Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded
2. Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance
3. Design rules according to the "Think Small First" principle
4. Make public administrations responsive to SMEs' needs
5. Adapt public policy tools to SME needs: facilitate SMEs' participation in public procurement and better use State Aid possibilities for SMEs
6. Facilitate SMEs' access to finance and develop a legal and business environment supportive to timely payments in commercial transactions
7. Help SMEs to benefit more from the opportunities offered by the Single Market
8. Promote the upgrading of skills in SMEs and all forms of innovation
9. Enable SMEs to turn environmental challenges into opportunities
10. Encourage and support SMEs to benefit from the growth of markets

The existence of a suitable framework may increase the number of entrepreneurs is determined by removing barriers that stand in the way of business development related to funding on one hand, especially during the onset, providing support with continued doing business, encourage honest entrepreneurs through providing a

tax system adapted to the climate in which they operate.

Improving access to finance for SMEs play an important role in promoting entrepreneurship and enhancing SMEs competitiveness in the single market. Accessing European funds for the SMEs requires a solid knowledge regarding human resources necessary to initiate and conduct this activity, the success of such a project based on their understanding to the subsequent management of project completion. The importance of SME financing as generating jobs is crucial especially in the context of economic efforts out of the crisis.

For the period 2020 European vision is oriented towards three main objectives, namely:

- Sustainable growth
- Smart growth
- Inclusive growth

SMEs field is also strongly supported through funding programs and also through the "Entrepreneurship 2020 Action Plan" that brings to focus three main domains: (Europa.eu/ SMEs)

1. Entrepreneurial education and training
2. Creation of an environment where entrepreneurs can flourish and grow, and
3. Developing role models and reaching out to specific groups whose entrepreneurial potential is not being tapped to its fullest extent or who are not reached by traditional outreach for business support.

#### 4. Conclusions

Ensuring a healthy competitive environment that would underpin successful business development is an important issue that the European Commission aims to promote by the new directions of European policy in the field of SMEs.

Difficult economic transition through the actual period is impossible without a framework that allows entrepreneurs as providers of capital for their national economies to initiate and conduct business. As shown throughout the paper, supporting this important sector is crucial to the economic climate throughout regional and global measures.

EU directs its efforts to support entrepreneurship and strengthen its policy in the field in order to provide the conditions necessary for maintaining a rising trend in terms of the economic outlook. Improved information and assistance necessary to initiate and sustain a business are key elements in successful entrepreneurs. Also, innovation and knowledge transfer are contributing to the development of entrepreneurial capabilities to develop business in key areas area can ensure enhanced efficiency in terms of costs.

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