MEASURES TO SUPPORT SMEs IN THE EUROPEAN UNION

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ABSTRACT. This paper aims to identify and analyze the principal measures by which European Union supports the establishment and development of small and medium enterprises. SMEs taken individually have a very small power but if we analyze all SMEs in a country we find that they have a very important role in the economy because they provide jobs and their performance may influence the degree of development of an economy. Thus, the European Union focuses its efforts to support SMEs in various fields; these efforts are geared towards both easier accesses to financing and in the direction of regulations, competition, stimulating entrepreneurship. Through this paper we analyze all these measures taken by the European Union and their implementation results. And finally, we will conclude if these measures are effective or not.

Key words: structural funds, the internationalization of SMEs, entrepreneurship

JEL classification: D92, F36, G32

Introduction
Small and medium enterprises (SMEs) are those enterprises which have a maximum of 250 employees, a turnover of up to 50 million Euros and / or have assets of up to 43 million Euros. But the vast majority of SMEs in Europe are much lower than the limits set, which hampers their access to resources (financial resources, know-how or resources). The large companies have departments that deal entire with monitoring technological developments, the study of competition, to attract capital and new employees. But in the case of SMEs these responsibilities does often not exist and other times are made by people whose job involves other responsibilities.

However small and medium enterprises play a very important role in the economy because they generate a significant part from the products and services necessary to the population; they create value; they provide jobs and their performance may influence the state and the degree of development of the economy.

Moreover they predominate the landscape of private companies from all European countries. In the EU-27 are approximately 20 million small and medium

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2 Carta albă a I.M.M.-urilor din România, 2006, pag. 22
The main difficulty faced by SMEs is the lack of market demand (46% of SMEs that took part to the study consider it the main difficulty that they encounter when they wish to extend their activity). More than one third of SMEs in the EU 27 have faced difficulties due to strict administrative rules (36%) or lack of employment (35%), or labour too expensive (33%). Around 20% of SMEs that took part to the study have encountered

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3 Audretsch, David, First section of the annual report on EU Small and Medium-sized Enterprises, 2009, pag. 12
4 Flash EuroBarometer, nr. 196, Observatory of European SMEs, Summary
problems because of the infrastructure (namely 23%) or limited access to financing (21%). Implementation of new technologies is seen as an obstacle in the way of business expansion for 17% of the study subject while 16% of enterprises consider that the implementation of new forms of organization appears as a difficulty. Lack of quality management is considered a problem only 11% of companies interviewed.

If we have identified the main problems that SMEs face in the European Union member states when seeking to extend their activity, we will continue with the main support measures offered by the European Union. As I said SMEs play an important role in the European Union so that it has adopted a series of measures to support the SMEs activities.

**Measures to support SMEs**

To help small and medium-sized enterprises the European Commission has appointed a representative for SMEs, which has the role of an interface with the business environment for SMEs and intervenes to defend their interests in the legislative process. He communicates to the Commission the impact that legislative proposals may have on small and medium enterprises, and thus permit the development of EU policies more favorable to SMEs.

In addition to appoint this representative the European Commission has put in place a series of policies for information and specific support to help SMEs in Europe. These policies aimed at creating conditions in which SMEs can be more easily created and can develop their activity.

The Small Business Act for Europe reflects the Commission's policy to recognize the central role of SMEs in the EU economy and for the first time lays the foundations for a comprehensive policy for the EU and its Member States relating to small and medium enterprises.

It aims to improve the overall approach to entrepreneurship, to promote the "Think small first" principle, starting from the development of policies governing the public service and promoting the growth of SMEs by helping them to approach the problems which make harder their development.

The Small Business Act for Europe, apply to all companies that are independent and have less than 250 employees, and take into account several aspects such as:

1. **Less and better regulations**

The cost of the administrative procedures for a small company can be up to ten times higher than that borne by a large company which makes this burden disproportionately heavy for small businesses. That is why the European Commission has set two goals: to reduce the administrative burden on enterprises by 25% before 2012 and to ensure new legislation friendly to SMEs. To achieve this, the Commission has sought to simplify and improve European legislation, and encouraging national and regional authorities to do the same.
However, this can be achieved only if national, regional and local authorities act together with the European Commission. Until now, 18 Member States have set national targets for reducing administrative burdens.

An example of a measure already put in place by the European Commission is that it has simplified the legislation on SMEs in the pharmaceutical sector, by reducing taxes for micro-enterprises, granting permission to defer payment of fees or offering administrative assistance in case they applied to the European Medicines Agency.

Referring to the implementation of better regulations we can remember the measures adopted by the European Union to protect SMEs from late payments. To achieve this purpose the Commission has considered the review of Directive 2000 to simplify and clarify some issues relating to payment of interest. This should discourage late payments and to ensure that SMEs are paid on time for all commercial transactions.

It is also important that SMEs are aware of international and European standards and to integrate the product specifications so that their products are competitive on international markets. To ensure this thing there are taken into account the needs of SMEs when are developed the standards and more than this the European Commission doubles its financial assistance to promote the interests of SMEs. There are also prepared measures to guide and support SMEs throughout all the standardization process.

2. Improving access to finance

Given that the financial markets fail to provide to SMEs the financing they need, the European Commission has developed and financed a number of financial instruments such as guarantees to facilitate access of SMEs to loans granted by banks. The European Commission also facilitated the investment of venture capital in SMEs.

During 1998-2006 over 744 million euro were granted to approximately 360,000 SMEs. This amount increased to more than one billion Euros in the framework of the Competitiveness and Innovation (CIP) for 2007-2013. The new funds should allow financial institutions to provide approximately 30 billion Euros to 475,000 SMEs in Europe.

Financial instruments cover different needs of SMEs whether they are new established or there are companies that already have experience:

- The facility to increase and develop the SMEs provides venture capital for innovative SMEs in the early stages and expansion phase.
- The guarantee facility for SMEs provides loan guarantees to encourage banks to offer more ways of funding available for SMEs, including micro-credits by reducing the risk exposure of banks.

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5 European Commission, Europe is good for SMEs, SMEs are good for Europe, 2008, pag. 11

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Also, the European Commission sought to increase SMEs' access to micro-loans (loans that are less than 25,000 euro) through financial instruments, and encourages Member States to increase and facilitate the provision of micro credits for small businesses.

European Investment Bank (EIB) extends the way in which supports SMEs by simplifying its funding mechanisms, making them more transparent and targeted to individual needs of small businesses in Europe.

Many SMEs are not aware of the financial instruments available to them or how to access them. Therefore throughout 2008-2009 the Commission is organizing “EU Finance Days for SMEs” in the Member States. These events bring together SMEs and national financial intermediaries to raise awareness about the different sources of finance and share good practices in helping innovative SMEs get easier access to finance.

3. Helping SMEs to do business abroad

One of the biggest successes of the EU was to make cross-border trade easier by creating a single market with 500 million consumers. This offers to enterprises the opportunity to sell a product throughout the EU without the need for adaptation at the national level. The single market of SMEs offers huge opportunities for growth, and the expansion that have occurred have multiplied the opportunities for business for SMEs.

But now, 63% of SMEs are active only in the home country and only 8% of SMEs in Europe export. Part of the problem of SMEs is the lack of information; they should know what opportunities are out there and what the rules for business transactions are. Many SMEs also face a lack of capital required for exit abroad. Therefore, SMEs need support and advice to benefit fully from the Single Market.

Thus, a vast network of business support was established by the European Commission to advise and assist European SMEs to overcome the difficulties they face.

Also, the European Commission helps companies to have access to markets outside the European Union, by businesses support center which are established in China and India. These centers are designed to help SMEs in the EU who wish to establish their units and to sell products in those countries.

SMEs can also benefit from programs like Gateway to Japan, LA invest (Latin America), Pro-Invest (ACP country) and ETP Japan and Korea as well as new training program in China for young managers.

4. Ensuring fair competition

A single market open and competitive offers the best guarantee for European SMEs which aim to increase their efficiency and their potential for innovation. So, the EU has established a strong competition policy that protects SMEs against unfair practices charged by other companies.
A particular area in which the European Commission focuses is to prevent the situations in which dominant firms’ abuse by their power on the market and stifle smaller competitors. This type of anti-competitive practice is prohibited under EU law. The European Commission will pay particular attention to complaints made by smaller businesses in this area.

In addition, EU policy on state aid deals favorable the SMEs, recognizing the specific difficulties that they face due to their size. SMEs are allowed to receive a larger proportion of state aid than larger firms in many areas. They may benefit from certain types of support aimed at addressing their specific needs (consultancy services, or their first participation in fairs for example).

Also Member States may grant aid for SMEs, without the need for notification the European Commission. The Commission’s new State Aid Action Plan reinforces this approach.

5. Education and skills for Entrepreneurship

Here we can remember the European Union program aimed at education and skills for entrepreneurs. Entrepreneurs will play a crucial role in creating jobs and stimulating economic growth and competitiveness of the European economy in the coming years. One of the priorities of the European Union is to stimulate people into a strong desire to become entrepreneurs; so, the European Commission is working closely with the governments of EU member countries to achieve this goal.

Europe needs more entrepreneurs. The European Commission considers that it is necessary to create a favorable attitude towards entrepreneurs by promoting them as models, through the celebration of their success and by seeking to reduce the fear of failure.

To achieve this, on the one hand, the Commission is working with national governments to make business education an integral part of the curriculum at all levels of education.

On the other hand, the European Commission is launching a new mobility recently established that will support entrepreneurs in cross-border activities. This mobility implies that entrepreneurs can spend some time in an SME from another country, which will give them the experience and the capacity of understanding and will enable them to upgrade their skills. It will also stimulate new businesses opening in the EU and will contribute to the creation of networks of SMEs.

Also, to improve the image of entrepreneurs in society, the European Union has organized the first European Week for SMEs in the period 6-14 May 2009 and it has proposed to inform SMEs about the support system for small businesses at European and national level and also encourage more people to become entrepreneurs. This took the form of an information campaign with a series of events that took place throughout all the Europe.
6. Facing environmental challenges together

Demand for environmentally friendly products and services is increasing, opening the way for new business opportunities. But environmental legislation is becoming more complex, and the costs of non-compliance higher. So, the lack of information, insufficient expertise, and scarcity of resources make it difficult for SMEs to comply with environmental legislation.

To help them the EU is training environmental experts in business support organizations such as business associations and chambers of commerce. The European Commission is funding environmental experts within the new Enterprise Europe Network who can help small businesses through on-site visits, information and expertise.

Also, the EU is providing focused financial assistance:

- The EU’s Research and Development Framework Programme for 2007-2013 provides funding for research projects in the environmental field. SMEs do not necessarily need their own research capacity to participate in the programme.
- Eco-innovation activities also benefit from a budget of 430 million euro under the Competitiveness and Innovation Programme (CIP) for 2007-2013. Half of these funds are in the form of financial instruments managed by the European Investment Fund, while the other half will be used to co-finance projects concerned with the first application or market replication of promising innovative eco-technologies.
- A further 730 million euro from the Competitiveness and Innovation Programme has been earmarked for projects in the field of energy efficiency and renewable energy. These funds are managed by the Executive Agency for Competitiveness and Innovation.
- The European Commission requires Member States to reserve part of their Structural Funds expenditure (2007-2013) for assistance to SMEs in the promotion of environmentally friendly products and production processes, such as effective environmental management systems, pollution-prevention technologies, and the integration of clean technologies into production processes.

Conclusions

As we could see the European Union is aware of the primordial role that all SMEs play in the economy, but also is aware of the problems they face even from their setting up and to when they want to expand.

It is known that the local business environment has a significant effect on small businesses, wherever they are located. Thus the EU is implementing policies to support and enhance economic competitiveness; policies are increasingly determined and implemented both locally and regionally.
The European Union has developed several tools to encourage development of regional initiatives to support regional players, and to promote networking between different regions of the Union. These tools encourage entrepreneurs, support new businesses and make SMEs more competitive.

Spending focuses on measures to help SMEs develop, such as innovation, financing and business support. All regions are eligible for funding from the Structural Funds. In the less economically developed regions, SMEs can receive direct support, under certain conditions, whereas in the rest of the EU, support is mainly available to business associations, support agencies, local administrations and other intermediary structures. In all regions, the Structural Funds focus on measures such as the co-financing of business incubators, advisory, training and financing schemes for SMEs, technology transfer, and SME clustering and networking.

In conclusion we can say that all these instruments used by EU grants to small and medium enterprises notable advantages, finding the best answer to most of the problems that the small entrepreneurs face throughout the business. Many of the difficulties mentioned in the paper could be resolved by these measures, only that they have to be promoted more for the entrepreneurs from all Member States to be aware of all benefits that are granted, and even to have the courage to use them for their business grow.

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