

Small and medium enterprises in Serbia in crisis circumstances

Prof dr Hadžić Miroljub

University Singidunum, Belgrade, Serbia, Department for Business and Faculty for Economics, Finance and Administration,
mhadzic@singidunum.ac.rs

Pavlović Petar

Republic of Serbia, Republic Development Bureau,
petarpavlebgd@yahoo.com

Abstract: In the period of transition (2000-2009) Serbia mainly established institutions and developed legal framework for SME support. Number of SME increased from year to year and, more important, number of new working places became in excess to those disappeared in companies in restructuring. Global economic crisis influenced Serbian economy negatively and SME sector, as well. Set of measures were introduced by Government and National bank of Serbia in order to curb recession, but were partially late and slightly weak. The point regarding SME support is now to introduce measures especially for fast growing small companies and gazelles, in an aim to overcome recession and make whole economy more competitive on international market.

Introduction

During transitory period in Serbia (2000-2009) great deal of supportive measures toward SMEs were realized, but one has to bear in mind that extensive phase of this support is ended. Starting after political changes in 2000 improvement was made especially regarding institutional and legal framework. Serbia has started to narrow discrepancies in SME development to other countries in transition, even in some elements became better of in comparison to some of EU members.

During late 2008 influence of Global economic crisis could be recognized in Serbian economy: enterprises faced liquidity problem, foreign demand decreased, banks was

H. Miroljub, P. Petar

Small and medium enterprises in Serbia in crisis circumstances

not ready to lend as same as before. Government and National bank of Serbia introduced measures in order to help economy financially and to prevent recession. However, employees and economic experts consider that those measures were late partially and, more important, weak.

During the 1990s in circumstances of overall crisis in Serbia SMEs were sort of companies better adapted, suffer less - were more efficient, although without any kind of governmental support. There are first signs that Serbia is overcoming crisis now, but real recovery depends very much of foreign recovery (foreign demand). During the period of transition Serbian fast growth was based mainly on excessive public and personal consumption, with increasing regional discrepancies and deindustrialization trend. So, this growth became non - sustainable in medium - term. In circumstances of Global economic crisis and facing growth limits SMEs role became even more important than before.

The evidence clearly pointed out that small and medium scale enterprises faced serious problems in 2009, as in spite of stronger support results were worsen than before. One can see that it is essentially important now to change targets of supportive measures toward more intensive. It means that knowledge based companies and fast growth one – so - called gazelles have to be priorities. At the same time those measures are in line with Serbia wish to join EU, as they are part of EU 2020 agenda.

1 SME development during transition period

During the period 2001-2007 Serbia has realized a number of market reforms, achieved macroeconomic stability and high rate of economic growth, privatized prevailing number of companies, started process of joining EU, with harmonization of number of laws and other adjustments. GDP increased in the period by 5.4 % on average, with the peak in 2004 (9.3%) and industrial production by 1.3% per year. Macroeconomic stability is improved considerably, as retail price index decreased from 92% in 2001 to 6.8% in 2008, with exchange rate stability and increasing foreign exchange reserves¹. It was partially due to public finance reforms and introduction of hard budget constraint, as public finance deficit in the period 2001-2003 was transformed into surplus, for the first time after years, of 2% of GDP. Although unemployment is still very high (more than 20%), for the first time after years

¹ Foreign Direct Investment reached maximal volume of 4.4 billion EUR in 2006, mainly due to privatization of companies and banks.

employment started to rise in 2004 (0.5%) and 2005 (0.9%). Free formation of wages resulted in their high increase – over 10% per year in real terms. At the same time average monthly wage increased from EUR 102 in 2001 to EUR 320 in 2008.

Table 1
Serbia - Key Macroeconomic Indicators (Increase %)

	2001	2002	2003	2004	2005	2006	2007	2008	2009*
BDP	5.1	4.5	2.5	8.4	6.2	5.7	7.5	5.5	-2.8
Industry	0.1	1.8	-3.0	7.1	0.8	4.7	4.6	1.1	-12.6
Trade	19.8	23.9	13.8	18.0	26.5	7.7	22.8	6.6	-11.7
Traffic	9.6	6.9	5.0	4.8	4.4	10.4	1.7	0.4	-14.9
Export	10.5	20.6	32.8	27.8	27.2	43.4	38.1	24.3	-26
Import	28.0	31.8	33.2	43.8	-2.7	25.9	41.5	23.3	-34.7
Inflation	40.7	14.8	7.8	13.7	17.7	6.6	10.1	6.8	6.6

Source: Ministry of Finance of Serbia * - estimation

In the period under consideration (transition period - between 2000 and 2009) institutional conditions for SME and entrepreneurship development and their strengthening are considerably improved. The growth of number of SME and small shops is result of improvement of overall climate for business and stimulative measures from governmental to local level, as well. The main activities were oriented toward:

- Improvement in overall business climate,
- Establishment of institutions responsible for SME support,
- Legal infrastructure for SME strengthening,
- Tax, custom and investment incentives,
- Financial support.

According to World Bank and International Financial Corporation analyses Serbia was labeled as the leader of reforms in 2005 and improved its place from 95th to 68th position in 2006². However, after that reforms lost momentum and, as a consequence, Serbia is ranked as 88th in 2009. According to the Report Serbian improvement in business climate is encouraging: time necessary for enterprise foundation is 7, for registration 13 days, for licenses issuing 279 days, for tax payment 279 hours per year. At the same time period for custom declaration issuing is shortened to 12 days for export and 14 days for import. Investment climate is improved, as well: index of credit reporting is 6 and index of investor preservation is 5.3. The liquidation of enterprise is more easy then earlier, as for court disputes it is necessary 635 days and 2.7 years for

² In 2005 155 countries were included and 175 in 2006, Doing Business 2007, World Bank.

H. Miroljub, P. Petar

Small and medium enterprises in Serbia in crisis circumstances

regular liquidation. In comparison to other countries in transition in surrounding Serbia is well positioned, even in some segments better positioned than some new EU members. All in all, realization of SME Development Strategy 2003-2008 pushed Serbia from the group of countries with modest market reforms into the group of countries with fast reforms.

Table 2
SME Development Index

		Share of private sector in GDP %	Share of SME in GDP %	Share of SME in total employment %	GDP PER CAPITA (US\$/capita)	SME Development Index	
						-	(US\$/capita)
Hungary	2002	80,0	57,0	49,5	4.552	0,23	1.027,0
	2003	80,0	36,9	56,8	6.581	0,17	1.103,5
Croatia	2002	60,0	50,0	67,0	4.179	0,20	840,0
	2003	99,0	56,0	65,0	5.053	0,36	1.820,9
Romania	2002	60,0	55,0	20,8	1.644	0,07	113,0
	2003	65,0	55,0	20,8	2.091	0,07	155,5
Bulgaria	2002	70,0	30,0	64,7	1.476	0,14	200,0
	2003	75,0	30,0	42,2	1.984	0,10	188,4
Slovenia	2002	65,0	56,6	64,4	9.073	0,24	2.150,0
	2003	65,0	56,5	62,6	11.026	0,23	2.534,9
Serbia	2002	40,0	46,6	32,4	942	0,06	57,0
	2003	55,0	46,6	32,4	1.879	0,08	156,0
	2004	46,4	51,8	54,7	3.007	0,15	460,0
	2005	64,4	54,1	59,0	3.298	0,19	643,1

Source: www.unece.org/indust/sme/sme-role.htm.

The analysis of achievements in Serbian SME development in 2005 points importance of SME especially for new employment and economic growth. Share of SME and entrepreneurs (277 thousand of legal entities) in total number of economic players is 99.7%, which are predominantly in private ownership (97.6%). Share of those enterprises in total employment is increasing from 55% 2004 to 59% in 2005. Turnover of SME and entrepreneurs was 2/3 of total turnover of Serbian economy and value added was 55% of total value added in 2005.

Those results were not achieved overnight, but with persistent and overall efforts. Serbian Government enacted Strategy for SME and entrepreneurs support in the period 2003-2008, in line with European Charter for SME Development, which was realized especially through operational Plan for SME support in the period 2005 - 2007.

Firstly, an extensive and complex network of supportive institutions was founded: Ministry for economy, as responsible, Agency for SME and entrepreneurs development with broad network of local and regional agencies and Council for SME and entrepreneurs, as inter - ministerial body responsible for the dialog with representatives of SME sector.

Secondly, growth and development of SME were achieved through improvement of general conditions for business, but through supportive measures and activities of levels, from governmental to local level, as well, as follows: law changes and legal harmonization with transition good practice - encouraging for business.

Thirdly, increase in knowledge and capabilities within small and medium scale enterprises and craftworks were realized.

Fourthly, different non financial supportive measures were involved and financial one, as well.

Fifthly, a number of measures were matured in order to implement innovation and high technology.

Sixthly, donor help and support to SME from different foreign governmental and non – governmental institutions were very important, especially if one take into account overall lack of sources.

2 Serbian economy and Global economic crisis

Although in the period of transition Serbia achieved high rate of growth of GDP it has to bear in mind firstly, that statistical basis was very low, as during the 1990s GDP was more than halved, due to break of united market of former SFR Yugoslavia and because of overall sanction introduced by International community, and secondly, this growth was based mainly on increase in public and personal consumption. So, one can see that this growth became non – sustainable in medium term, even before crisis came. As public consumption during the second half of the decade became of expansive sort monetary policy was restrictive more than necessary in order to control overall macroeconomic stability. More than restrictive monetary policy together with none well coordinated macro policies produced less than potentially possible rate of growth of GDP. Although inflation was put down considerably and controlled better

H. Miroljub, P. Petar

Small and medium enterprises in Serbia in crisis circumstances

than before, it is still higher than in neighborhood and especially in comparison to inflation level in Euro zone.

Deindustrialization trend during transition period is something which is dangerous to Serbian economy, which resulted in important changes in the structure of GDP formation, as now 2/3 of GDP is formed by services. The main problem regarding deindustrialization is the fact that there are not enough tradable products for foreign market and consequently high and increasing foreign trade deficit appeared. National bank of Serbia has introduced from September 2006 on policy of appreciation of Serbian dinar, similarly to policy in Romania and Croatia, and unlike policy of depreciation which for decades were actual policy in fast growing economies, so - called Asian tigers. The policy of appreciation favored those who import and discouraged those who exported and inevitably could not lead to restructuring of Serbian economy in order to become more competitive on the international market.

In the last quart of 2008 Global economic crisis started to influence Serbian economy: foreign investments inflow have shrunked, instead outflow of capital started, saving deposits within banks decreased considerably, credit conditions worsened, it was very difficult to collect claims especially from government and public companies and lastly, foreign demand weakened.

National bank of Serbia in October 2008 started to improve overall liquidity in banking sector by decreasing compulsory reserves requirement, while at the same time increasing interest rate on governmental bonds up to 17.5%, which was exemption to all other central banks. So - called Wiener agreement between NBS and foreign banks was achieved by which Serbian exposure would stay the same during 2009. During 2009 NBS has started to put down interest rate on securities by the time to 9.5% at the end of the year.

Serbian Government in October 2008 firstly promised only measures which were involved at the beginning of 2009: increasing amount of insured deposit of citizens from 3 to 50 thousand Euros, annulled tax duties on saving deposits (capital gain) and tax duties related to securities transfers. In order to prevent recession Government supplied support for credit line (subsidized interest) for companies for liquidity problem and for investments and credit lines for citizens for consumption and mortgage credits. In the first half of the year Republican budget suffered from low collection of taxes and other duties. The stand - by arrangement with IMF was revised into financial support of 2.9 billion Euro (March), mainly to overcome Budget deficit, which was firstly estimated to 3% of GDP and drop of GDP estimated to 2%. The new revision of the arrangement in November pointed out improvement in economic

climate during the year and in collecting budget revenues, as well, but Budget deficit problem remained as estimation of the deficit increased to 4.5% of GDP. This means that problem salvation was postponed to medium term period.

During 2009 saving deposits were recovered fully within banks and reached more than Euro 6 billions. At the same time credit expansion, which was very high for several years, was slow down considerably and more important than that credit portfolio of banks changed structure in favor of government and public companies, which for sure is not good for economic recovery. Foreign currency reserves increased up to more than 12 billion Euros, mainly due financial support related to stand by arrangement with IMF. Interest rate on state bonds was put down by the time to 9.5% at the end of 2009, but it is still too high, considering that it is at the same time minimal active interest rate for banks. Foreign exchange rate at the beginning of the crisis drop for 20%, but stabilized during the year and again started to decrease at the end of the year (7%), in spite of NBS intervention on FX market for more than 600 million Euros.

NBS and Governmental measures were in right direction, although late and weak, and from the third quart of 2009 there were the first signals of recovery, or rather stop of recession trend. During the crisis exporting sectors of the economy suffered mainly: chemical industry, iron and metal processing and domestic oriented sectors with high rate of growth in previous years, like construction, traffic and trade. Financial sector is facing two problems: non - well developed financial market and weak economy – bought companies and employees – which implies limit for further fast development, which was achieved in the first phase of transition.

3 Serbian SME suffered during the crisis

During 2009 development of Serbian SME sector slow down considerably, after the period 2004-08 in which the sector became important factor of the economy in market reforms and in revitalization. In 2008 SME was created 35% of GDP and 43.2% in total employment³. More important SME share in total foreign trade was 45.5% of total export and 59.3% of total Serbian import.

Two important questions arose if one look at relation between economic crisis and entrepreneurship:

- How recession influences entrepreneurial activities?

³ Estimation of Republican Development Bureau.

H. Miroljub, P. Petar

Small and medium enterprises in Serbia in crisis circumstances

- How entrepreneurship can change trend from decreasing into increasing?

One can see that recession can make room on old markets and sources, as some inventive people can see business opportunities as circumstances are changed. There are no straightforward answer looking at start up only, but rather all types and phases of entrepreneurial activities. Results of GEM 2009 Reports [GEM, 2009] highlighted this question differently by type and phase of activity.

More theories are related to the second question. The best innovations have started during the great recession in the 1930s. The study which used data from GEM reports pointed out positive correlation between start up innovative based, on the one hand, and GDP cycles with two years time lag, on the other hand Reports [Koellinger and Thurik, 2009]. So, they concluded that entrepreneurship is not independent from cycle. Baumol argued that there is constant rate of entrepreneurship among different societies, while institutions, rules and norms influence linkage between entrepreneurship and development [Baumol, 1990].

In GEM Report for 2009 two new ratios were added in order to envisage climate for start up and its development in comparison to year earlier. Not surprisingly more than a half of entrepreneurs found that it is more difficult to start, although in transitory economies especially they are driven by there own needs and are not closely linked to global circumstances. Generally speaking entrepreneurs are more positive about business development than about start up, but those already matured are more pessimist.

In GEM Report for 2009 the questions was raised regarding relations between global recession and business opportunities, both start up and development of already started business. From the table bellow one can conclude: firstly, majority of entrepreneurs are expecting less chances, especially within those economies which are factors and efficiency driven; secondly, one forth of entrepreneurs in early phase in innovation driven economies expected more opportunities; thirdly, more matured entrepreneurs more pessimism.

Table 3
Entrepreneurial Tendencies in selected countries 2008/09 compared to 2006/07

	GDP p.c. change		Attitudes A				Activity B				Aspiration C			
	2008	2009	1	2	3	4	1	2	3	4	1	2	3	4
Croatia	2,5	-5,2	-	+	-	-	-	-	-	-	-	-	-	-
Hungary	0,6	-6,7	-	+	+	-	+	+	+	-	+	+	-	+
Romania	7,1	-8,5	-	+	+	-	-	+	-	+	-	-	-	-
Slovenia	3,5	-4,7	-	+	-	-	+	+	-	-	-	-	-	-
Serbia	5,4	-4,0	-	-	-	-	-	-	-	-	-	+	-	-

Note: A1 Perceived opportunities, A2 Fear of failure, A3 Intentions, A4 Good career choice

B1 Nascent entrepreneurship, B2 Owner manager new firm, B3 Discontinuation rate B4 Necessity

C1 Job expectation, C2 New product, C3 new market, C4 International orientation

Due to negative expectation of entrepreneurs regarding to expansion of Global economic crisis until the first quart of 2009 continued tendency of slowing down establishment of new and at the same time considerable increase in number of closed companies and shops from the fourth quart of 2008⁴, in spite of habit that companies and shops are established at the beginning of the year and closed in the second half of the year, usually.

Number of SMEs and shops in 2009 increased by 9.337 (for 45% less then in 2008) – 6.417 companies and 2.920 shops (for 21.6% and 66.8% less, respectively, in comparison to year before). Total number of companies in Serbia in 2009 increased by 10.014 and shops by 39.365 (for 11% and 9.2% less respectively in comparison to year earlier) and closed 3.597 companies and 36.445 shops (for 17.2% and 5.4% more, respectively, to the year earlier).

Important fact, from the point of view of SME sector contribution to increase in employment, is that in the period 2004-08 every year SME opened more work places then places which were closed at the same time in big companies. In the period 2004-08 number pf employees in SME increased by 187,4 thousand (from 752,7 to 940,2 thousand) while number of working places in big companies decreased for 163,6 thousand (from 622,2 to 458,6 thousand).

⁴ Data from Republican Agency for economic registries

H. Miroljub, P. Petar

Small and medium enterprises in Serbia in crisis circumstances

SME distribution by industry is very concentrated, namely: 73.9% by number of companies, 78.6% by employees, 85.3% by trade and 80.1% by GDP contribution was related in 2008 to four sectors only: trade, processing industry, real estate related activities and construction.

Table 4
SME Indicators selective EU countries and Serbia

	EU	Bulgaria	Czech	Hungary	Poland	Romania	Slovenia	Serbia	
				2007				2007	2008
Number of companies 000	20.409,3	258,0	934,6	561,7	1.516,3	428,2	93,3	296,1	303,4
Number of employees 000	87.909,3	1.419,6	2.587,3	1.752,3	5.709,8	2.570,3	393,2	906,7	940,2
Turnover bill €	13.470,6	68,8	220,1	156,7	412,3	158,7	47,1	51,3	58,3
GDP bill €	3.453,0	8,7	45,2	24,9	77,3	26,9	10,3	9,0	10,5
Profit bill €	965,8	4,5	7,6	4,8	41,9	12,1	1,3	3,5	4,0
SME/000 Citizens	41,2	33,6	90,9	55,8	39,8	19,9	46,4	40,2	41,4
Number empl./comp.	4,3	5,5	2,8	3,1	3,8	6,0	4,2	3,1	3,1
Turn./empl. 000 €	153,2	48,4	85,1	89,4	72,2	61,7	119,7	56,6	62,0
GDP/empl. 000 €	39,3	6,1	17,5	14,2	13,5	10,5	26,3	9,9	11,1
Pf/empl. 000€	11,0	3,2	3,0	2,8	7,3	4,7	3,2	3,8	4,2
Profit rate	28,0	52,2	16,9	19,4	54,1	44,9	12,3	38,6	38,1
SME share in non financial sector									
Number comp.	99,8	99,7	99,8	99,8	99,8	99,5	99,7	99,8	99,8
No empl.	67,2	72,8	69,1	70,2	69,8	61,0	66,0	65,5	67,2
Turnover	57,6	65,9	60,3	58,0	60,3	57,6	62,8	67,6	66,6
GDP	57,6	53,0	57,2	51,0	47,4	48,2	59,1	58,3	59,1
Profit	51,1	47,0	31,3	26,5	41,7	42,8	33,5	58,8	58,7

Source: DG Enterprise and Industry, Serbia Republican Development Bureau

TEA index (measurement of early phase of entrepreneurial activity) for Serbia in 2009 was 4.9⁵ pointed worsening of the climate for starting business (8.6), which is result of influences of Global economic crisis. Number of those who are starting business is decreasing (indicator TEA beginners from 4.8 to 2.2) and new entrepreneurs, as well (indicator TEA new entrepreneurs from 4.0 to 2.8). Inevitable GDP growth and new working places are limited. The share of mature entrepreneurs increased (the share of existed entrepreneurs increased from 5.3 to 10.1), which points that new measures for improvement climate for fast growth companies and so - called gazelles are desirable

⁵ Near to 5 persons was entrepreneurial active among 100 elder

and those measures for start up. Index of motivation increased (from 29% to 46% in 2009) which means that there are more those entrepreneurs who saw his own chance. However, at the same time number of potential entrepreneurs decreased absolutely points worsening conditions fro start up and continuity of business. Although the country leg behind conflict period of development still relatively small number of entrepreneurs who legalize their activities and pretty weak financial and non financial support clearly show that supportive climate for entrepreneurship is far from fully satisfied. Global economic crisis has just emphasized those drawbacks: weak and decreasing foreign and domestic demand, narrowing investment opportunities, increasing risks and costs and fear of failures. Although there is clear idea about needs for new working places and state activities toward SME support, prevailed negative factors produced decreasing number of entrepreneurs – newcomers.

From the Table bellow one can see that TEA index – measurement of early phase of entrepreneurial process – for Serbia in 2009 was 4,9 (almost 5 persons among 100 elder people were entrepreneurial active) – points worsening of overall entrepreneurial climate in 2009.

Table 5
Entrepreneurial Activity 2009

	TEA Beginners	TEA New entrep .	TEA Inde x	Index Existe d entr.	Total rate of owner s	Rate of Brea k	% Index	
							TE A need	TEA avail .
BiH	3,1	1,3	4,4	3,9	8,3	3,1	39	20
Croatia	3,5	2,2	5,6	4,8	10,4	3,9	37	39
Hungary	5,4	3,7	9,1	6,7	15,8	3,2	24	45
Romani a	2,8	2,3	5,0	3,4	8,4	3,6	34	31
Slovenia	3,2	2,1	5,4	5,6	11,0	1,3	10	69
Serbia								
2009	2,2	2,8	4,9	10,1	15,0	1,9	41	46
2008	4,0	3,6	7,6	9,3	16,9	3,7	-	-
2007	4,8	4,0	8,6	5,3	13,9	-	-	28

Source: Global Entrepreneurship Monitor

Mutual relations of partial rate of early entrepreneurial activity (see Table bellow) pointed important facts. Motivation Index 1,12 pointed that Serbian entrepreneurship is developing more on the basis of chances seen (2,25) then as an alternative to secure

H. Miroljub, P. Petar

Small and medium enterprises in Serbia in crisis circumstances

existence (2,01). This index is lower than in other European countries, except Romania and BiH. Death index 0,79 pointed that number of beginners was smaller than number of new entrepreneurs, which succeed to run business more than 42 months. Sustainability index 3,61 is very unfavorable, as it means that each 36 existed entrepreneurs is related to 10 new entrepreneurs who run business less than 4 years. The main reasons for this unfavorable rate are Global economic crisis and unfavorable overall economic climate. Stability index 2,06 points that each 20 existed entrepreneurs run business more than 4 years are related to 10 beginners and new entrepreneurs. This index also points stagnation trend in new company establishment, and more important, more unfavorable than in other countries under consideration.

Table 6
Motivation and sustainability of early entrepreneurial activity

	Motivation Index	Death Index	Sustainability Index	Stability Index
Croatia	1,05	1,59	2,18	0,86
Hungary	1,88	1,46	1,81	0,74
Romania	0,91	1,22	1,48	0,68
Slovenia	6,90	1,52	2,67	1,04
Serbia	1,12	0,79	3,61	2,06

Source: Global Entrepreneurship Monitor

Considering measurement of business demography in Serbia one can conclude that from 2008 number of established companies and shops is decreasing, while number of companies and shops which stop activities is increasing⁶. As result total number of new business subjects is decreasing. In 2009 in Serbia 44 SMEs or shops on each 1 thousand citizens operated (1 more than in 2008) and 7 subjects of new established was less than year before.

Table 7
Serbia Number of newly established and closed companies

	Number of companies		Number of shops		Net effect	
	established	closed	established	closed	companies	Shops
2006	11.536	1.528	45.693	27.01	7,5	1,7
2007	11.902	2.027	47.951	31.619	5,9	1,5
2008	11.248	3.068	43.375	34.572	3,7	1,3
2009	10.014	3.597	39.365	36.445	2,8	1,1

Source: Republican Agency for economic registries

⁶ Source: Republican Agency for economic registries

Table 8

Serbia - Rate of growth and close of companies and shops

	Companies		Shops		Total	
	Rate of growth	Rate of close	Rate of growth	Rate of close	Rate of growth	Rate of close
2006	13,3	1,8	40,7	24,0	28,8	14,3
2007	12,3	2,1	23,0	15,1	19,6	11,0
2008	10,7	2,9	19,9	15,9	16,9	11,7
2009	9,0	3,2	17,8	16,5	14,9	12,1

Source: Republican Agency for economic registries

SME Policy Index⁷ put Serbia into group of countries which are fully established legal and institutional framework for supportive policy for SME development, with 3.3 as average rate: education and training for entrepreneurship -2, cheap and fast start – up - 3.8, legal framework – 3.2, availability of skill improvement 2.8, on line appraisal to sources 3.2, greater market appraisal 4, financial support 4, technological capacity strengthening 3.5, successful models of e-business -3.5. At the same time it means that it passed half obligations toward fully EU membership requirements.

SME financial support from public sources in 2009 was totally 29.9 bill RSD (318.8 mil €), of which from Republican Budget 113 mil €. From Budget for Republican and local SME agencies network for consulting and expert supports 2.2 mil € was planned. National Employment Service supported SME with non financial services 37.2 mil €. Republican Development Fund financed start – ups with 41 mil € credit line, SME in under developed regions with 30.6 mil €, higher quality of restaurant supply with 1.8 mill €. Project of support investment in innovations was financed with 401 thousand € and Program of development 248 thousand €. Republican Agency for export insurance (AOFI) subsidized credit lines for exporters with 28.3 mil €, 14.5 mil € for factoring financing and 10.7 mil € for export insurance and export guarantees. Republican export promoting agency (SIEPA) placed 439 thousand € for export promotion of private enterprises. Additionally Republican Development Fund from its own funds financed SME with 151.6 mil €.

Financial SME support from foreign sources, like Fund revolving credit, APEX Global credit II and Italian Government credit, was in 2009 realized with 50.8 mill € (although non realized sources are 201.4 mil €).

⁷ SME Policy Index 2009 – Progress in the Implementation of the European Charter for Small Enterprises in the western balkans, EC DG for Enterprise and Industry, OECD, ETF, EBRD

4 The point – change attitude to more intensive supportive policy measures

Policy for dynamic SME and gazelles support is essentially policy for entrepreneurial support. Entrepreneurship is process in which talented persons transform their knowledge into assets through new economic subject establishment, which produces added value which is basis for the growth of welfare of the society. Entrepreneurs recognize their business opportunities and make their own selection in order to use them. At the same time newly established economic subject mature innovations using knowledge and other sources for new products and services. Whole economy introduces all institutions which play important role in economic development and increase in productivity.

It is important to bear in mind that policy supportive to innovative and fast growing SME and gazelles is far from simple. The first issue is how to define and recognize those dynamic companies and gazelles. Especially important issue is how to help those enterprises when they are facing the period of dawn fall in growth, like they are facing now in circumstances of Global economic crisis. Those negative factors can be related also to non sustained financial support or problems related to human sources. The aim of the state in modern market economies is to overcome those limits. Case studies pointed out the room for supportive policy related to relatively small number of companies as a target (France, Quebec). Like with other development or macroeconomic policies the point is to adjust those policies to certain national circumstances related to specific historical, ecological and social factors. For economies in transition the basic problem is related to establishment of legal and institutional framework for market economy.

Considering trend of deindustrialization and huge and increasing foreign trade deficit for Serbia in the future the target for SME supportive policy is to increase economic efficiency and competitive abilities through: development of economic structure comparable to EU, which requires faster growth activities with higher than average added value, increase in competitive abilities of companies, primarily through increase in productivity and more regionally balanced development.

During transitory period Serbia tended to be closer to EU and public opinion prove prevailing wish of citizens to realize it. In order to speed up this process Serbia unilaterally started to introduce Agreement of Cooperation and Accession from the beginning of 2009, although it means strengthening competition on its market, and at the end of 2009 officially applied for status of the candidate. One has to bear in mind

that positive pressure to Serbia to fulfill requirements for joining EU are even more important than membership in EU as such.

All in all, in development meaning Serbia has to not only respect, but rather implement development documents of EU multi national level. While Serbia implemented neo liberal concept of development during transition (2000-2009) countries from European family strengthened cohesion and coordination. During the last decade EU created and started to implement several development documents in aim to achieve sustainable development, like ESDP, CEMAT, SDS and Lisbon agenda. Recently adopted is Strategy for overcoming actual economic crisis EU 2020, which at the same time points the basis for EU economy in the next decade. Essentially important the document is, among others, for supportive policy for dynamic SME and gazelles, as it stipulates three future cornerstones: clever growth, sustainable growth and comprehensive development.

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H. Miroljub, P. Petar

Small and medium enterprises in Serbia in crisis circumstances

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