

THE IMPORTANCE OF SMALL AND MEDIUM-SIZED ENTERPRISES IN THE DEVELOPMENT OF THE REGION ON THE EXAMPLE OF THE MALOPOLSKA PROVINCE

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Abstract. Small and medium-sized enterprise sector is one of the main factors of competitiveness of regions and their economic growth rate. Małopolska region is attractive for investors and entrepreneurs from the SME sector which is mainly related to spatial planning and advancement of urban processes. The local character of small and medium-sized enterprises leads to close relationship between the development of this sector and the local and regional development. A higher level of economic development increases the competitiveness of a local network, which facilitates further economic development. The main aim of the research was to present the role and importance of the SME sector in the development of Małopolska region and its investment attractiveness. The research study was carried out in 2014. It reveals that Małopolska region is favourable to the development of the SME sector, which is reflected, among others, by the fact that it has the competitive advantage as regards the labour resources and costs as well as activities directed at investors.

Key words: Small and medium-sized enterprises, regional development, entrepreneurship

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Introduction

Small and medium-sized enterprises constitute a most important element of each economy. The highest increase in newly created jobs is noted in this sector, and also such firms lose work much slower in case of the market collapse than larger businesses. The condition for efficient operating of the market is economy to a great extent based on a big number of small firms (Zuzek D., 2014).

The role that small and medium enterprises play in the market economy is significant. They bring in many opportunities for entrepreneurship development and growth of economy competitiveness and regional development (Zuzek D., 2011).

Regional policy is an essential element of the social and economic policy pursued by Poland. The aim of the regional policy is to create competitiveness of the regions and counteracting the marginalisation of certain areas in such a way to foster long-term economic

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development of the country, its economic, social and territorial cohesion as well as integration with the European Union. Regional policy is the field of public intervention increasingly gaining in importance, and the assistance for the SME sector constitutes its part.

The SME sector is one of the main factors of the competitiveness of regions and their economic growth rate. It is essential to regard it as one of the development priorities when planning the operations of regional policy (Small and medium-sized..., 2001).

The main aim of the research was to present the role and importance of the SME sector in the development of Małopolska region and enhancing its investment attractiveness. The author's own study was carried out with the participation of 245 entrepreneurs from the Małopolska Province. The collected results were subjected to statistical analysis using the Kruskal-Wallis rank method and rank correlation gamma method. The results presented were carried out in 2014 and are part of the research project funded by the National Science Centre.

Results and discussion

1. Small and medium-sized enterprises in the theories of regional development

The role that small and medium enterprises play in the market economy is significant. They bring in many innovation creation opportunities, thereby opportunities for entrepreneurship development and growth of economy competitiveness. The high share the sector holds in GDP formulation is a reason for strengthening the foundations of the sector operation and facilitating access to innovative solutions. A modern enterprise ought to become an innovative organization, open to novelties, perceiving the internal and external environment from different perspectives, and at the same time sensitive to market signals and expectations as well as being ready to implement changes (Zuzek D., 2011).

Small and medium-sized enterprises in Poland do not develop as dynamically as in other European Union countries (Woźniak M., 2010). The reason behind this is the presence of numerous barriers, among others technological, organizational, market, tax or financial ones, hindering their functioning and development. The assessment of the condition of this sector indicates that financial barrier is of highest significance. Therefore, the entities governing the country should focus on overcoming those barriers so that national enterprises could develop more dynamically.

Small and medium-sized enterprises are usually of the local character. There exist two kinds of interactions between enterprises from the SME sector and from the local market. The enterprise on the local market is not only supplied with production materials and uses local labour resources but it also sells its products and services. Moreover, enterprises easily adjust to local environment as they find there more favourable development conditions (Stużycki M., 2004).

Local character of small and medium-sized enterprises results in the close relationship between the development of this sector and the local and regional development. Higher level

of economic development increases competitiveness of the local network which fosters further economic development. Apart from that, economic development contributes to an increase in employment and thus to a decrease in unemployment. It results in more funds in local budgets, satisfies the living needs of inhabitants, decides about competitiveness of the whole region as well as influences the quality of inhabitants' life (Small and medium-sized..., 2001).

There are a lot of theories of regional development which account for the causes of irregular and different level of development in the perspective of space, time and between entities. At the same time, each of the theories indicates specific aspects of economic activity which bring the most positive developmental results through specific behaviour of economic entities contributing to the prosperity of the region.

The process of regional development is the result of the influence of three groups of factors (Small and medium-sized..., 2001):

1. internal ones (endogenous) constituting usually the beginning of economic and social transformation. Three most important factors in this group include:
 - the application of new technological solutions imported from the outside,
 - entrepreneurship development,
 - development of specific local resources,
2. external ones (exogenous) – location in the region of new production plants, belonging to external entrepreneurs, which affect the changes in the local production structure,
3. reactions on external changes (technological, organizational) – the result is the creation of various projects of development at the local level that are based on the cooperation and joint action of entrepreneurs, entrepreneurs and public institutions or that are created only in the public sector; this kind of factor also belongs to external ones.

Facilitating development forces public authorities to exert influence on the appropriate combination of exogenous and endogenous factors. It leads to the need of developing suitable models of intervention policy. In economic practice, the implementation of a chosen model usually gives rise to various fields of activity of small and medium-sized enterprises.

One of the most effective policies of regional development is the policy aiming at the creation of geographically concentrated and cooperating units of business entities (clusters), located close to research centres and universities, which may attract most creative and innovative entities. It is a policy, which supports small and medium-sized enterprises and the creation of territorial production systems, described in theory.

2. The importance of small and medium-sized enterprises in the local and regional development – the results of the author's own research study

As a result of creating a number of aid programs for the analysed sector of SME's, specific instruments for supporting growth have become available. They are meant to serve as external sources, formalized streams of value, chiefly of a resource nature, stimulating

qualitative and/or quantitative changes (depending on the approach to defining organization growth) leading to SME's growth (Zuzek D., Mickiewicz B., 2013)

Enterprises from the sector of small and medium-sized enterprises are generally of the local character. There are two kinds of interactions between the SME and a local market. A company in the local market is not only supplied with production materials and uses local resources but also sells its products and services. Small enterprises adjust to local environment very quickly because they find there favourable development conditions. The character of companies from the SME sector leads to close relationship between the development of enterprises and the local and regional development. A high level of regional development increases competitiveness of the local system and facilitates further economic development. Moreover, economic development largely contributes to increasing the number of work places and decreasing unemployment. It also fosters increasing local budget, decides about competitiveness of the whole region, satisfies the living needs of inhabitants and improves their lives (Stużycki M., 2004).

The experience of highly developed countries shows and confirms that small and medium-sized enterprises play an important role in the economy of the region and the whole country by influencing economic growth, meeting consumers' needs by providing high quality products and services as well as contributing to higher employment rate. It can be stated that companies from the SME sector constitute the major factors of social and economic growth in the country and are the incentive to economic development (Huczek M., 2008). However, companies from the SME sector encounter developmental barriers, which they have to face to survive on the market.

The results of the author's own studies show that the most cumbersome barriers include: high taxes and payments provided for by the law (44%) as well as bureaucracy and complicated legal regulations (around 39% of the enterprises under study). Less significant barriers according to entrepreneurs are: demand on the local and regional market (27%), competitiveness of large companies (20%), high costs of labour and insufficient qualifications of employees (around 20%) as well as difficulties with the access to external sources of financing (13% of companies under study).

The number or the potential of enterprises are frequently regarded as indicators of the level of economic development. Their activities and functioning reflect the entrepreneurial skills of the society. Literature on the subject reveals that "the main source of entrepreneurship are people, their relationships with other people and the environment. Although entrepreneurship is of general social and general economic nature, its fate is determined at the level of a single enterprise and by individual people. Successes of individual people contribute to general success" (Koźmiński A., 2004).

The data demonstrated show that around 78% of the entrepreneurs under study plan new investments in their company. Therefore, it can be stated that companies' owners are

very entrepreneurial. It can be the result of the fact that Poles become increasingly aware how much on the road to success depends on their action.

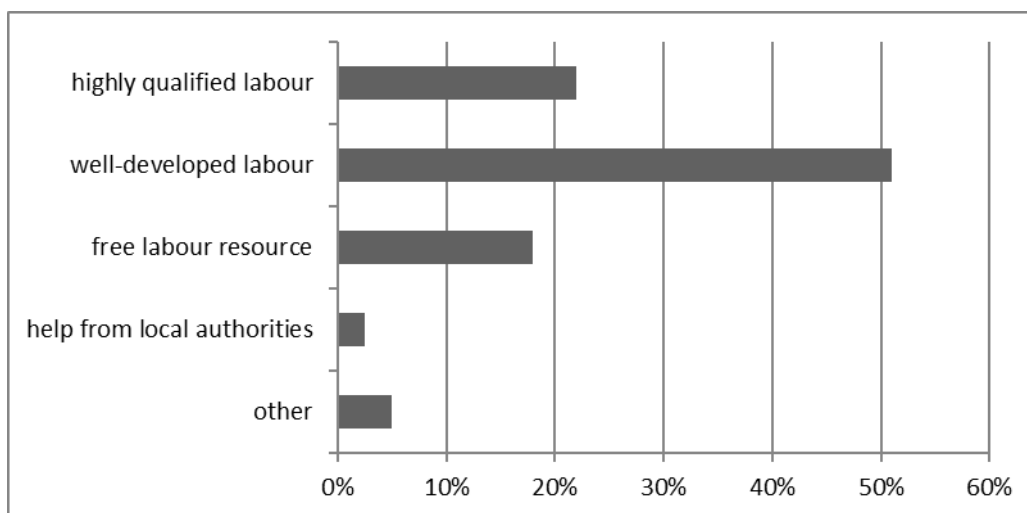
The results of the conducted study confirm that small and medium-sized enterprises are characterized by a dynamic approach to the economic environment. Companies from this sector quickly react to the changing environment and the needs and preferences of the potential clients. They also have a good knowledge of the market situation. It is connected with the fact that they undertake new projects and investments more easily, and thus have a competitive edge over big enterprises, for which it is more difficult to focus on small, local markets and quickly adjust their offers to even slight changes in consumer preferences. It is usually unprofitable for them. Therefore, enterprises from the SME sector dominate small and local markets (Huczek M., 2008).

The fundamental elements constituting the region are: the territory of a given region and the population inhabiting this area. A region can be described in territorial and formal terms. *"A region is a conventionally designated area, relatively homogenous, characterized by different natural qualities than in neighbouring areas or by features created in such a way to meet the economic, social or administrative needs"* (<https://umcs.lublin.pl/articles.php?aid=2337>. Access: 2.05.2014).

A region can also be understood in a way defined by the Assembly of European Regions: *"it is a political-territorial-administrative unit placed directly after the central state authority, having the elected or appointed political representation, with the Regional Council, constituted by the lower, subordinated territorial units"* (http://enrd.ec.europa.eu/pl/home-page_pl.cfm. Access: 2.05.2014)

In the light of the definitions presented above, a region becomes an increasingly important public good for local and regional population in the context of globalization and integration. A region can discourage or attract investors depending on the competitiveness and attractiveness of its economic, social or natural environment space. The opportunity of regional development lies in the possibilities of providing potential investors with highly qualified labour resources, modern communication infrastructure, strong scientific and research facilities, an extensive network of institutions that support entrepreneurship as well as friendly official and administrative procedures (Ignatiuk S., 2011).

About 56% of enterprises under study claims that Małopolska region is attractive for investors who are planning to establish a company (31% claimed they "do not know", whereas 13% answered that the Małopolska Province is not a good place to carry out business activity). The relationship between the attractiveness of a region for investors and factors that influence it is presented in fig. 1.



Source: author's own study.

Fig. 1. Factors influencing the attractiveness of Małopolska for investors planning to establish a company

The survey respondents underlined that spatial planning and advancement of urban processes are the main decisive factors of attractiveness of Małopolska region. In particular, it is connected with well developed agglomeration of the so called suburbs – well developed neighbouring towns and gminas, to which some economic functions can be delegated. The attractiveness is also related to the distribution of main communication routes and the level of transport infrastructure development. There are also a lot of other criteria, which seem most important for some investors (e.g. labour force potential). On the basis of the remaining respondents answers, the following conclusions concerning the investment attractiveness of the Małopolska Province can be drawn:

- Investment attractiveness is highly related to the level of economic development and therefore, the Małopolska Province was rated very high by the respondents.
- Recently, investment attractiveness of the Małopolska Province has increased which may be connected with infrastructure expenditure.
- Małopolska has big cities or former voivodship cities which act as the engine of development. Industrial centres and tourist centres are also attractive.
- In the local scale, sub-zones of special economic zones play a crucial role in shaping investment attractiveness, particularly if there are also other forms of entrepreneurship support (industrial parks, science and technology parks, business incubators). Such development conditions exist in the Małopolska Province.

Conclusions

1. Modern approach to economic development is mainly connected with searching for sustainable and safe bases for development of regions. Regional and local economic programmes focused on entrepreneurship, transfer and commercialisation of technology as well as on increasing competitiveness require professional institutional reconstruction.

In economic practice, it involves the need to create institutions of local development. The system of supporting entrepreneurship and enterprises in Poland includes the entities acting on 3 levels: national, voivodship and local.

2. The conducted research study confirms the opinion that Małopolska region is friendly for the development of the SME sector which is reflected, among others, by its competitive edge in labour resources and costs as well as activity with regard to investors (investment offer in particular).
3. In recent years, attractiveness of the region has increased in terms of attracting technologically advanced activities. In the light of structural diversification of economy and weak dependence on foreign demand, Małopolska is quite resilient to negative external influences, which is also a significant asset in the development of the SME sector.

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