

The European Union's Small and Medium-Sized Enterprises Policy. The Role of the Small Business Act for Europe

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Abstract

Entrepreneurship support policy is a fundamental component of the European Union's economic strategy, emphasizing the crucial role of small and medium-sized enterprises (SMEs). Representing 99% of businesses in the EU, SMEs contribute significantly to job creation, innovation, and economic growth. Initially, efforts to support SMEs were fragmented and implemented at the national level. However, since the 1990s, alongside the deepening of economic integration and the establishment of the Single Market, the EU has adopted more coordinated initiatives to improve the business environment.

This article addresses two central research questions: first, how has the EU's SME support policy evolved, and what impact have its programs and actions had on enhancing the business environment for SMEs? Second, how effectively do programs like the Small Business Act for Europe (SBA) - a key component of the SME Performance Review - monitor and promote improvements in SME business conditions across Member States?

Using a combination of literature review, analysis of key EU documents, and econometric modelling based on 22 explanatory variables, the study evaluates the progress of EU policies. The Ordinary Least Squares (OLS) regression was employed with a 5% significance level. The findings highlight the role of SBA in guiding national efforts and enhancing the coherence of SME policies across the EU.

Keywords: European Union, European policies, SME support policy, SBA for Europe

JEL Classification: F00, F15, O25, O52

Introduction

The entrepreneurship support policy in the European Union constitutes a key element of its economic strategy. Small and medium-sized enterprises, which account for 99% of all businesses in the EU, play a pivotal role in job creation – employing two-thirds of the workforce – driving innovation, and fostering economic growth, contributing approximately 53% of the EU's total added value. Supporting the SME sector has been a priority for the EU since the early stages of economic integration; however, for many years, these efforts were fragmented and predominantly implemented at the national level. It was not until the 1990s, with the deepening of economic integration and the establishment of the Single Market, that more coordinated community-level initiatives were introduced to improve the conditions for conducting business.

Long-term SME support programs were systematically implemented, while various preferential financial instruments and initiatives aimed at improving the business environment began to be developed. Moreover, a permanent monitoring system of the business environment conditions has been introduced, leading to the launch of the SBA for Europe Programme, which “aims to improve the overall policy approach to entrepreneurship (...), and to promote SMEs’ growth by helping them tackle the remaining problems which hamper their development” (European Commission 2008, p. 3). Currently, SBA indicators and measures are an integral part of the SME Performance Review, which is a key tool to track and evaluate progress in implementing SME policies. The following studies (Prasannath et al. 2024) have investigated how government support policies simultaneously may impact both the enterprise orientation and the performance of SME. The authors reviewed the literature from two perspectives: direct support policies divided into financial (grants, credits and loans) and nonfinancial activities (education, information and technology) and indirect policies also divided into financial (taxation) and nonfinancial activities (regulatory framework, competition and entrepreneurial culture). In total, the authors investigated 94 scientific articles, 21 of which were dedicated to the analysis of the regulatory framework. Generally, despite a growing body of research on entrepreneurship policies (European Commission 2017; 2021; OECD 2023; Business Europe et al. 2022), gaps remain in understanding the effectiveness of policy measures in practice.

This raises two research questions: (1) How has the EU's SME support policy evolved, and how have its programs and initiatives influenced the business environment for SMEs? (2) To what extent do these programs – particularly the Small Business Act for Europe (SBA), a critical component of the SME Performance Review – support the monitoring of progress in improving the business environment for SMEs in Member States? To address these questions, this article aims to evaluate the development of EU entrepreneurship support policy from its inception to the present, with a particular focus on the SBA as a tool for monitoring progress in enhancing the business environment for European SMEs.

The role of SMEs in European economy

Small and medium-sized enterprises form the backbone of the European Union economy, accounting for 99.8% of all non-financial sector enterprises. In 2023, the Single Market was home to 25.8 million SMEs, employing 88.7 million people, which represented approximately two-thirds of the non-financial sector workforce. SMEs contributed over half (53.1%) of the sector's total added value. Within this group, micro-enterprises played a dominant role, comprising 94% of all SMEs, generating 37% of the added value, and employing 46% of the sector's workforce (European Commission 2024).

SMEs are critical to 14 industrial ecosystems within the EU, particularly in agribusiness, construction, tourism, and the digital economy. In 2023, SMEs were the largest employers in 11 of these ecosystems, with their contribution to added value exceeding 50% in six cases. Micro-enterprises were especially prominent in tourism and construction. However, due to high inflation (6.4%) in 2023, the real added value generated by SMEs declined by 1.6% across all ecosystems, reflecting broader macroeconomic challenges and external threats (European Commission 2024).

Health crises, such as the COVID-19 pandemic, significantly disrupted global economies, resulting in economic deceleration (“slowbalisation”), and reorganization of supply chains and global value networks. These disruptions accelerated digital transformation, automation, and new business models, including remote work, e-commerce, and data-driven marketing strategies. SMEs adapted by revising strategies, enhancing flexibility, fostering cluster collaboration, and adopting agile management focused on resilience, security, and financial stability. Geopolitical risks (e.g., conflicts and wars) and physical threats (e.g., natural disasters and climate change) compounded these challenges, further disrupting supply chains and driving energy costs higher, adversely affecting financial outcomes (Gorynia & Kuczevska 2023). Despite these obstacles, SMEs remain a vital source of added value, economic growth, and transformation within the EU, playing a central role in the twin transitions toward digitalization and sustainability.

The Evolution of SME Support Policy in the EU up to 2008

The EU's entrepreneurship support policy began to take shape with the signing of the founding treaties, which laid the foundation for European integration. Although the Treaty of Rome (1957), which created the European Economic Community, primarily focused on establishing a common market, it also anticipated cooperation in promoting economic development. In the following years, the EU gradually implemented instruments to help businesses leverage the benefits of the common market, though these initiatives were initially limited. In the 1980s, following a period of economic crisis and high unemployment, SMEs began to gain increasing recognition as potential beneficiaries of community actions. The SME sector's importance was emphasized in 1982 when these businesses received special privileges in terms of public aid and legal simplifications, allowing them to operate under *de minimis* agreements. These agreements enabled small firms to conduct business without meeting all regulatory requirements, thereby enhancing their chances of success in the internal market (European Commission 2008).

The entrepreneurship support policy in the EU was initially developed mainly at the national level. It was not until the 1990s, with advancing European integration and the signing of the Treaty on European Union (TEU), that greater importance was placed on coordinating actions at the community level. The provisions of the TEU emphasized the role of SMEs as drivers of economic growth, paving the way for multiannual programs to support entrepreneurship.

Under the principle of subsidiarity, the EU, in its efforts to support businesses (especially SMEs), began implementing multiannual programs to support SMEs. These programs made it possible to set priorities that responded to the current challenges facing the SME sector and implement tools and actions to improve the business environment. By 2005, the EU had implemented three such programs, with the last – the Multiannual Programme for Enterprise and Entrepreneurship – having the largest budget and number of actions (Table 1):

1. The Integrated Framework Program for SMEs and Small Craft Industries (1993–1996) – focused on facilitating access to finance and cooperation between companies,
2. The Third Multiannual Program for SMEs (1997–2000) – aimed at the internationalization of companies and simplifying the administrative environment,
3. The Multiannual Programme for Enterprise and Entrepreneurship (2001–2005) – focused on promoting innovation and adapting the economy to the conditions of a “knowledge-based economy.”

These early support programs, such as the Integrated Program for SMEs (1993-1996) and the Third Multiannual Program for SMEs (1997-2000), focused on creating better conditions for business development, particularly concerning market access and finance. The Multiannual Programme for Enterprise and Entrepreneurship (2001-2005), in turn, aimed to increase competitiveness in a knowledge-based economy and promote innovation. These programs adapted their priorities to changing market and legal conditions, enabling SMEs to operate more efficiently in the internal market.

An essential element of the entrepreneurship support policy was the Maastricht Treaty, which for the first time addressed the role of SMEs in building EU competitiveness. Subsequent regulations, such as the

Table 1. SME Support Programs 1992-2005

Program	Strategic Goal	Main Priorities
Integrated Program for SMEs (1993–1996)	Implementing the internal market and improving the administrative environment	Simplification of administrative, legal, and fiscal regulations, improving access to finance, and increasing cooperation with other businesses
Third Multiannual Program for SMEs (1997–2000)	Internationalization and development of the internal market	Improving SMEs' access to finance, enhancing competitiveness (e.g.: wider access to R&D programmes and innovation implementation), and fostering collaboration
Multiannual Programme for Enterprise and Entrepreneurship (2001–2005)	Knowledge-based economy	Promoting entrepreneurship, growth, and competitiveness within a knowledge-based economy.

Source: Own elaboration based on: (PARP 2001; European Commission 1996, 2000).

European Charter for Small Enterprises (European Commission 2000), adopted in 2000 at the Feira Summit, established a framework for actions supporting entrepreneurship. The Charter introduced principles aimed at simplifying business formation, ensuring access to finance, and promoting innovation.

In response to the challenges of globalization and competitiveness, the EU developed the Lisbon Strategy (2000–2010) (LS 2000), one of the crucial steps towards supporting entrepreneurship in the EU. Its primary objective was to transform the EU economy into the most competitive knowledge-based economy in the world. The Lisbon Strategy emphasized that entrepreneurship and innovation are crucial for enhancing EU competitiveness and job growth. The Lisbon Strategy focused on:

1. Investment in innovation and research,
2. Improvement in education and human capital development,
3. Simplification of legal regulations,
4. Better access to finance for SMEs.

The Lisbon Strategy also highlighted the need for structural reforms to adapt Member States' economies to the requirements of the global market. Despite ambitious goals, the implementation of the Lisbon Strategy encountered numerous challenges, and its results were mixed. Many of the initiatives were fragmented and uncoordinated, reducing their overall effectiveness. This was due to factors such as an overly broad scope of goals, insufficient political commitment, inadequate financial resources, and ultimately the economic crisis of 2008–2009. Lessons learned from these challenges, however, informed the development of a more pragmatic approach in the Europe 2020 strategy.

Currently, the legal framework for entrepreneurship support policy, particularly for SMEs, is grounded in the harmonized provisions of the Treaty on the Functioning of the European Union (TFEU). Key references to this policy are found in several essential articles, such as the following (TFEU 2016):

- Article 173 TFEU, which addresses the EU's industrial policy.
The EU commits to fostering an environment conducive to initiatives and business development across the Union, particularly for SMEs. It promotes competitiveness and adaptability, with a focus on fostering innovation and enabling enterprises to respond to market changes.
- Article 174 TFEU, which pertains to economic, social, and territorial cohesion.
The EU emphasizes reducing regional disparities and supports SMEs that contribute to regional development, especially in less advantaged areas.
- Article 179 TFEU, which centres on the promotion of research and innovation.
This article underscores the EU's commitment to advancing scientific progress and fostering innovation as pivotal elements of its broader entrepreneurship support policy.

- Article 120 TFEU, which refers to the general principles of economic policy, includes a commitment by Member States to undertake actions that support entrepreneurship.
This entails fostering conditions favourable to the operation and development of small and medium-sized enterprises (SMEs).
Additionally, SMEs are covered under various areas of EU legislation, such as taxation (Articles 110–113 TFEU), competition (Articles 101–109 TFEU), and company law (entrepreneurship law – Articles 49–54 TFEU). These provisions collectively establish a legal framework that facilitates SME activity within the Single Market and ensures their alignment with broader EU economic policies.

SME Support Policy After 2008. The Small Business Act for Europe Programme

In 2008, the European Commission introduced the Small Business Act (SBA) for Europe Programme, which became a critical document guiding SME support within the EU. The SBA promoted the “Think Small First” principle, aiming to consider the needs of small businesses when developing new legal regulations. The SBA sought to facilitate SMEs’ functioning in the internal market, improve their access to finance, and reduce administrative barriers (European Commission 2008).

During the analysed period, the financial and economic crisis emphasized the need for new initiatives to increase the attractiveness of the EU single market and enable full utilization of economic integration benefits. The 2010 report by Mario Monti (Monti 2010) on the Single Market implementation highlighted that the internal market is more necessary than ever, paving the way for reforms supporting the single market. Since then, the Small Business Act principles have become an integral part of the EU’s market development strategy, focusing on improved functionality for citizens and SMEs.

The SBA for Europe “aims to improve the overall policy approach to entrepreneurship, to irreversibly anchor the *Think Small First* principle in policymaking from regulation to public service, and to promote SMEs’ growth by helping them tackle the remaining problems which hamper their development” (European Commission 2008, p. 3). It put in place a comprehensive policy framework for the EU and its Member States through (European Commission 2008, p. 3-5):

- a set of 10 principles to guide the conception and implementation of policies both at EU and Member State level (Figure 1),
- a set of new legislative proposals which are guided by the “Think Small First” principle: General Block Exemption Regulation on State Aids – GBER, European Private Company – SPE and Directive on reduced VAT rates,
- a set of new policy measures which implement these 10 principles according to the needs of SMEs both at Community and at Member State level.

The principles of the Small Business Act for Europe focus on several strategic areas crucial for creating added value for European SMEs: implementing the “Think Small First” principle, simplifying administrative procedures for establishing startups, promoting the internationalization of business activities, developing entrepreneurship training programs, respecting insolvency laws and procedures to support second chances, and removing administrative barriers.

The core element of contemporary SME support policy is the EU’s Europe 2020 Strategy. This strategy emphasizes the importance of supporting entrepreneurship and creating a favourable environment for SMEs, enabling them to fully benefit from the opportunities offered by the Single Market. The strategy promotes sustainable and digital development for SMEs, focusing on three key pillars: building capacity and supporting SMEs in their transition to sustainability and digitalisation; reducing regulatory burden and improving market access; improving access to financing (European Commission 2000c, p. 1). Additionally, the 2020 Strategy outlines further supporting actions, such as promoting sustainable development, encouraging internationalization, and fostering the development of skills and human capital (Table 2).

<p>SECOND CHANCE Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance</p>	<p>RESPONSIVE ADMINISTRATION Make public administrations responsive to SMEs' needs</p>	<p>“THINK SMALL FIRST” Design rules according to the “Think Small First” principle</p>
<p>PUBLIC PROCUREMENT Adapt public policy tools to SME needs: facilitate SMEs' participation in public procurement and better use State Aid possibilities for SMEs</p>	<p>ACCESS TO FINANCE Facilitate SMEs' access to finance and develop a legal and business environment supportive to timely payments in commercial transactions</p>	<p>ENTREPRENEURSHIP Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded</p>
<p>SINGLE MARKET Help SMEs to benefit more from the opportunities offered by the Single Market</p>	<p>SKILLS AND INNOVATION Promote the upgrading of skills in SMEs and all forms of innovation</p>	<p>ENVIRONMENT Enable SMEs to turn environmental challenges into opportunities</p>
		<p>INTERNATIONALISATION Encourage and support SMEs to benefit from the growth of markets</p>

Figure 1. Rules of the Small Business Act for Europe.

Source: European Commission, 2008.

Table 2. The EU SME supporting policy.

Priorities	Actions, tools and programmes
Building capacity and supporting SMEs in their transition to sustainability	Enterprise Europe Network (EEN) Digital Europe Programme (240 Digital Innovation Hubs – DIH)
Reducing regulatory burden and improving market access	Internationalisation beyond EU Standardisation system Access to markets information: <ul style="list-style-type: none"> • Enterprise Europe Network (EEN) • Internationalisation of Clusters • Your Europe Business Portal The Late Payment Directive The SME test
Improves access to financing	Business angels Crowdfunding Fintech, distributed-ledger technology and the token economy Growth stock markets Loans, guarantees and equity investments Venture capital
An EU country partnership for delivery	The EU SME Envoy The SME Assembly The European SME Week The SME performance review

Source: Own elaboration based on European Commission, *SME-friendly business conditions*, https://single-market-economy.ec.europa.eu/smes/sme-strategy-and-sme-friendly-business-conditions_en (retrieved 17.02.2025).

To build capacity and support SMEs in their transition toward sustainability, the Enterprise Europe Network (EEN) and the Digital Europe Programme, with its 240 Digital Innovation Hubs (DIHs), play a strategic role. The EEN supports SMEs in fostering innovation and expanding their operations internationally. Operating on a worldwide scale, EEN connects experts from member organizations renowned for their excellence in business support. These organizations include chambers of commerce and industry, regional development agencies, universities and research institutions, as well as innovation agencies. Although individual businesses cannot become formal members of the Network, they can benefit from a broad range of services designed to enhance their growth, competitiveness, and access to international markets (EEN 2024). Digital Innovation Hubs (DIHs) are non-profit, one-stop-shops that assist businesses, especially SMEs, and public organizations in adopting digital technologies. They offer: “Test before invest” – facilities for experimenting with digital tools, including software, hardware, and new business models, to evaluate potential benefits and return on investment; initiatives such as boot camps, traineeships, and curriculum exchanges to enhance the effective use of digital innovations; support in developing business plans, conducting feasibility studies, and participating in incubation or acceleration programs and networking opportunities (DIHs 2024).

To reduce regulatory burdens and improve market access, alongside fundamental initiatives supporting the implementation of the Single Market – such as promoting standardization, internationalization, and access to business-related information – key roles are played by the Late Payment Directive and the SME Test. To safeguard European businesses, especially SMEs, from late payments and enhance their competitiveness, Directive 2011/7/EU on late payment in commercial transactions was introduced. The directive establishes measures to improve liquidity, employment, and growth by enforcing (European Commission 2011):

- Public authorities to pay for goods and services within 30 days, or exceptionally 60 days,
- Businesses to settle invoices within 60 days unless otherwise agreed and not grossly unfair,
- Automatic entitlement to interest for late payments and a minimum compensation of €40 for recovery costs,
- Statutory interest of at least 8% above the European Central Bank's reference rate.

The SME Test evaluates the impact of proposed EU legislation on SMEs, promoting the “think small first” principle and enhancing the business environment. As part of the European Commission's regulatory impact assessment, the test includes (SME Test 2024):

- Identifying businesses likely to be affected,
- Consulting SMEs and their representatives (e.g., SME envoys, EEN),
- Conducting cost-benefit analyses to assess impacts on SMEs,
- Exploring policy options or mitigating measures to minimize negative effects.

To improve access to financing, the EU supports and develops initiatives such as business angels, crowdfunding, fintech, distributed ledger technology and the token economy, growth stock markets, loans, guarantees and equity investments, and venture capital.

A key aspect of SMEs support policy, given its national character, involves initiatives shared with Member States, such as the EU SME Envoy, the SME Assembly, the European SME Week, and the SME Performance Review. The SME Envoys Network, established in 2011 as part of the Small Business Act review, includes national SME envoys from each EU country and the EU SME envoy, who chairs the group. This advisory body advocates for SME-friendly regulations and policies across all EU member states (SME Envoys 2024). The SME Assembly, held annually during European SME Week (ESW), is the key event for SMEs in Europe. Along with the network of SME envoys, it forms the governance structure of the Small Business Act, promoting SME-friendly policies and regulations across the EU (SME Assembly 2024). Finally, the SME Performance Review (SME PR) is a strategic initiative that combines several shared efforts, supporting the monitoring of progress in implementing SME support policies across EU Member States. The SME Performance Review is a key tool to track and evaluate progress in implementing SME policies, including the SME Strategy, the Small Business Act, and the SME Relief Package. It provides detailed insights through two main components: an

annual report on European SMEs and country-specific fact sheets, highlighting SME performance and policy implementation across Member States (SME PR 2024).

Furthermore, as part of the implementation of the EU's SME support policy, the continuation of multi-annual programs remains a key focus. From 2007 to 2013, the Competitiveness and Innovation Framework Programme (CIP) was implemented, followed by the Program for the Competitiveness of Small and Medium-sized Enterprises (COSME) from 2014 to 2020. For the period 2021 to 2027, the COSME Single Market Programme and InvestEU are being carried out, continuing the goals of COSME under the SME Pillar of the EU Single Market Programme, with additional support from the InvestEU Program (Table 3). Within this framework, various initiatives aimed at supporting SMEs are financed and promoted: Enterprise Europe Network, European Cluster Collaboration Platform, Erasmus for Young Entrepreneurs, Intelligent Cities Challenge, EU SME Centre in China, Advanced Technologies for Industry, Intellectual Property Helpdesk, European Light Industries Innovation and Technology (ELIIT) project, Your Europe Business, Worth Partnership Project, EU-Japan Centre for Industrial Cooperation, Peer-learning in entrepreneurship education and in women's entrepreneurship, Social Economy, ESTEAM Fests and Communities for girls and women and Crisis Management and Governance in Tourism (EISMEA 2024).

Tabela 3. SME Support Programs (2005-2027)

Program	Strategic goal	Main Priorities
Competitiveness and Innovation Framework Programme – CIP (2007–2013)	Supporting SME innovativeness	<ul style="list-style-type: none"> The Entrepreneurship and Innovation Programme (EIP) – includes various financial instruments, promotes business cooperation networks, and supports ecological innovation projects. ICT Policy Support Program (ICT PSP) – promotes digital services and ICT solutions aimed at consumers, the public sector, and SMEs. Intelligent Energy Europe (IEE) – focuses on implementing advanced renewable energy technologies and supports pro-ecological projects
COSME (2014–2020)	Implementing SBA goals; supporting SME competitiveness and internationalization	<ul style="list-style-type: none"> Enhancing access to finance through the Loan Guarantee Facility (LGF) and venture capital via the Equity Facility for Growth (EFG). Supporting international expansion and access to global markets. Creating competitive conditions – adapting internal market regulations to SME needs and ensuring standardization.
COSME – Single Market Programme, InvestEU (2021–2027)	Supporting a better access to markets, a more favourable business environment and promoting entrepreneurship	<p>European Innovation Council and SMEs Executive Agency (EISMEA) – The SME Pillar of the European Single Market Programme</p> <ul style="list-style-type: none"> COSME - The Single Market Programme (SMP) and InvestEU. SMP Programme focuses on strengthening the governance of the internal market, supporting the competitiveness of industry and in particular of SMEs. (COSME -SMP budget of €4,208 bn for the period of 2021-2027. In addition, €2 bn allocated under the InvestEU Fund, in particular through its Small and Medium-sized Enterprises Window (SMEW).

Source: Own elaboration based on: (COSME 2021, CIP 2007, EISMEA 2024).

The role of the SBA as a program for monitoring the progress in improving the business environment for European SMEs

The aim of our research is to answer the question of how effectively the Small Business Act for Europe (SBA) supports monitoring the progress of improving the business environment for SMEs in Member States. Currently, SBA indicators and measures are an integral part of the SME Performance Review, which is a key tool to track and evaluate progress in implementing SME policies. The SME Performance Review database covers the SBA indicators as well as indicators related to SME Strategy (Digitalisation category).

Unfortunately, the data on SBA indicators presented in the European Commission database come from various primary sources, making it very challenging to obtain complete data for all Member States for a given year. Additionally, the COVID-19 pandemic further exacerbated gaps in reporting current data due to the dynamic changes in the business environment, and the indicators related to digitalization remain highly incomplete. For this reason, 2019 was chosen as the optimal year for analysis, as most necessary data are available in the database for that period. Consequently, the analysis excludes digitalization indicators and focuses solely on the remaining 10 SBA areas. From the database (and taking into account primary sources of data, e.g. Global Entrepreneurship Report, World Bank Doing Business, Eurostat, Comext, Community Innovation Survey etc.), we selected the appropriate explained variable and explanatory variables that describe the degree of implementation of the principles of the internal market and entrepreneurship support policy in terms of generally understood entrepreneurship in the European Union countries. The explained variable, which was included in the econometric model, is the *TEA (Total early-stage Entrepreneurial Activity)* indicator describing the percentage of the working-age population actively participating in the creation of a new enterprise, being its owner or co-owner. On the other hand, explanatory variables are strongly diversified and represent several different groups:

- **SECOND CHANCE:** Time to resolve insolvency, Cost to resolve insolvency, Fear of Failure Rate, Strength of insolvency framework,
- **THINK SMALL FIRST and RESPONSIVE ADMINISTRATION:** Average cost to start a business, Time to start a business, Time to register property (in days), Cost to register property (% of property value), Time to pay taxes (hours per year), Fast-changing legislation and policies are a problem when doing business (% of businesses who agree with the statement), Starting a business Procedures (number),
- **PUBLIC PROCUREMENT:** SMEs' share in the total value of public contracts awarded, Average delay in payments – public authorities,
- **SINGLE MARKET:** Average transposition delay for overdue directives (in months), Intra-EU exports of goods by SMEs in industry (% of SMEs), New and growing firms can enter markets without being unfairly blocked by established firms (% of businesses who agree with the statement),
- **SKILLS AND INNOVATION:** SMEs introducing product or process innovations as % of SMEs, Innovative SMEs collaborating with others (% of SMEs), Percentage of total persons employed that have ICT specialist skills, R&D Transfer,
- **INTERNATIONALISATION:** Documents to export (number), Cost to export (US\$ per container), Extra-EU exports of goods by SMEs in industry (% of SMEs).

The groups of variables that were completely omitted from the model are **ACCESS TO FINANCE** and **ENVIRONMENT**. The omission is due to the fact that these indicators are not fully covered by the data available in the database. The econometric model is based on 22 explanatory variables coming from six earlier mentioned groups. The analysis covers 27 observations, which are European Union member states (including the United Kingdom). The estimation of the econometric model is carried out with the use of the Ordinary Least Squares regression (OLS), and the level of reliability α was set at 0.05 (5%).

The modelling uses the so-called *negative selection* of variables (due to the low statistical significance of many factors), which allowed construction of the most satisfying forms of empirical models. The least significant variables turned out to be: Starting a business Procedures (number), Average transposition delay

Table 4. The results of the model estimates

	(1)	(2)	(3)	(4)	(5)	(6)
VARIABLES	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
<i>Time to pay taxes</i>	-0.021*** (0.003)	-0.021*** (0.004)	-0.021*** (0.003)	-0.020*** (0.004)	-0.019*** (0.003)	-0.019*** (0.003)
<i>Intra-EU exports of goods by SME</i>	0.129** (0.055)	0.131** (0.051)	0.136** (0.056)	0.128** (0.056)	0.178*** (0.036)	0.180*** (0.036)
<i>Extra-EU exports of goods by SME</i>	-0.348*** (0.099)	-0.343*** (0.089)	-0.348*** (0.102)	-0.338*** (0.105)	-0.402*** (0.074)	-0.392*** (0.078)
<i>Cost to export</i>	-0.004*** (0.001)	-0.004*** (0.001)	-0.004*** (0.001)	-0.004*** (0.001)	-0.003*** (0.001)	-0.004** (0.001)
<i>SMEs introducing innovations</i>	-0.129*** (0.032)	-0.103*** (0.033)	-0.086** (0.034)	-0.100*** (0.033)	-0.0792** (0.029)	-0.082** (0.031)
<i>ICT specialists</i>		-0.139* (0.080)	-0.170** (0.073)	-0.184** (0.078)	-0.242** (0.085)	-0.238** (0.090)
<i>Time to register property</i>			-0.026 (0.023)	-0.028 (0.024)	-0.065*** (0.016)	-0.062*** (0.017)
<i>Innovative SMEs collaborating</i>				0.047 (0.053)	0.093 (0.054)	0.111* (0.061)
<i>SMEs awarded by public contracts</i>					0.027 (0.0167)	0.028 (0.0167)
<i>Cost to resolve insolvency</i>						0.045 (0.082)
<i>Constant</i>	21.86*** (2.277)	23.60*** (2.396)	23.55*** (2.195)	23.61*** (2.218)	22.64*** (2.352)	22.05*** (2.418)
Observations	26	26	26	26	25	25
R-squared	0.712	0.751	0.772	0.776	0.874	0.877

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Source: Own elaboration.

for overdue directives (in months), Cost to start a business, New and growing firms can enter markets without being unfairly blocked by established firms, Time to start a business, Cost to register property (% of property value), Fear of Failure Rate, Documents to export (number), R&D Transfer, Strength of insolvency framework. The remaining models (Model 1 – Model 6) are presented in Table 4. The model with the best fit to empirical data with the relatively largest number of statistically significant variables turned out to be Model 1.

The estimated Model 1 (1) is defined as follows:

$$TEA = 21,86 - 0,021 \text{ TimeTaxes} + 0,129 \text{ IntraEUexp} - 0,348 \text{ ExtraEUexp} - 0,004 \text{ CostEXP} - 0,129 \text{ SMEsInnov} + \xi_i$$

Results

The variable with the greatest impact on the explanatory variable is the percentage of SME-type enterprises exporting goods outside the EU. ***Ceteris paribus*, along with the increase in the percentage of small and medium-sized domestic enterprises exporting outside the EU territory, the tendency to establish new business ventures in a given country is decreasing.** This is probably due to the increased export concentration of the SME sector and the growing barriers to entry to the market for non-exporting enterprises due to the high costs of transport to countries outside the EU.

Another important factor is the percentage of enterprises, such as SMEs, exporting to other intra-community countries. **Along with the increase in the percentage of these enterprises, the tendency to create new ventures grows, *ceteris paribus*.** The possibility of opening up to exports to other countries

encourages and motivates the creation of new forms of economic activity due to the easier flow of goods, services and capital within the EU.

The next factor is the percentage of domestic enterprises such as SMEs introducing product or process innovations. **Along with the increase in the percentage of innovative SMEs in the country, the tendency to create new ventures decreases, *ceteris paribus*.** This may be related to high entry barriers for enterprises that, by definition, want to be innovative, and this generates costs proportional to the expected innovativeness of the entity.

***Ceteris paribus*, the longer it takes to pay taxes in a country, the lower the propensity to start a new business.** This is due to the reluctance of taxpayers to overly complex administrative procedures and barriers at the national level, which appear in the first stages of creating a new venture.

The higher the average cost of a container of goods for export, the lower the propensity to start a new business, *ceteris paribus*. Again, it turns out that the key role of transport costs is for entrepreneurs and people who plan to set up a business.

Conclusions and Discussion

The policy of supporting entrepreneurship in the EU initially developed primarily at the national level. It was not until the 1990s, with the deepening European integration and the adoption of the Treaty on European Union, that greater emphasis was placed on coordinating actions at the community level. This policy retains its national character, focusing on initiatives to support businesses at the country level, with EU-level actions occurring only where joint activities bring greater benefits than individual national efforts. This approach reflects the principle of subsidiarity, a cornerstone of the Single Market.

Since 1992 multiannual programs have been implemented to improve the business environment and provide financial support. These programs serve as a framework for national policies, identifying key priorities and goals to enhance business conditions across the EU. Their priorities and tools adapt to current economic challenges and the requirements of the Single Market's implementation. Early programs focused on simplifying administrative procedures and removing market barriers. Later, the emphasis shifted to knowledge-based economies, globalization, innovation, and competitiveness. Currently, digitalization and the European Green Deal are the main priorities, alongside further regulatory and administrative improvements.

The intensity of implementing SME support programs under EU policy correlates strongly with progress toward a fully integrated Single Market. For example, the Small Business Act for Europe (SBA) became a permanent component of SME support policy following Mario Monti's pivotal report during a period of significant Single Market crises. These challenges shifted attention toward building the EU's resilience against global crises, including financial, economic, migratory, and institutional disruptions. Ongoing analysis of business environment indicators within the SBA framework enables Member States to align their tools and programs to support SMEs effectively. The authors' research confirms that selected indicators linked to SBA metrics correlate with business activity and highlight the positive role of the Single Market in this process. However, a key challenge in utilizing SBA results lies in accessing up-to-date data from Member States. Many indicators are reported with delays or not at all, raising questions about the validity of comparing business environments using data from different years. This challenge influenced the authors' decision to use 2028 as the baseline year for their analysis. Despite data aggregation issues, the SBA, as part of the SME Performance Review, provides a valuable tool for monitoring EU countries' progress in implementing SME support policies.

The findings address the two-part research question posed at the outset. First, EU SME support policies adapt to changing business conditions and the effects of deepening economic integration, improving SME access to the Single Market. Second, the SBA, as a core component of the SME Performance Review, effectively monitors progress in enhancing the SME business environment and guides national authorities toward informed actions supporting SMEs.

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