

Development and Position of Small and Medium Size Enterprises in National Economy of Latvia

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Abstract

European economy is characterised by high share of small and medium size enterprises of total employment, lower level of unemployment than the average national, and high share of turnover of the SMEs export. Therefore the article focuses on the study of small and medium size enterprises, as the aim of the research is to learn and evaluate the dynamics of small and medium size enterprises and determine their position in national economy of Latvia. The analysis includes a period between 1997 and 2004. Due to the summarised and evaluated statistical information, it was concluded that small and medium size enterprises comprise a major part of national economy, since they represent more than 99% of all enterprises in Latvia and thus contribute to entrepreneurship and innovation. However the number of SMEs per 1000 inhabitants is still insufficient for successful development of Latvian business, as according to this figure, Latvia (indicator equals to 20.71 in 2004) considerably lags behind the average level of the EU member states (51), and other EU candidate countries.

Key words: Small and medium size enterprises (SME), national economy, regions.

Introduction

The European Council closing meeting convened in Lisbon in 2000 brought forward the target for the European Union activities within the next decade to become the most competitive and dynamic economy in the world. Successful development and promotion of small and medium size enterprises (SME) plays an especial role for the achievement of the set target. Latvia's integration into the common market of the European Union holds out hope for a larger flow of investments and development possibilities for local enterprises outside Latvia. However many concerns exist in relation to the possibility of Latvian small business to compete in the European market and degree of national support. Therefore presently a significant consideration is being paid to the role of SMEs in Europe, since SMEs enhance economic growth and competitiveness, provide employment, create social uniformity, as well as turn out to be the most active developing and introducing new products, and ensure more stiff mutual competition. Thus entrepreneurship and elaboration of planned business policy is one of the key factors for the development of national economy.

In compliance with the "Long-term Economic Strategy of Latvia" adopted by the Cabinet of

Ministers on July 17, 2001, the priority national strategic goal of economic policy is to achieve living standard of the developed countries as soon as possible. The policy of development of SMEs meets the main national priorities set for the general economic policy:

- creation of favourable conditions for the functioning of the economy;
- promotion of efficient and competitive sectoral structure;
- mitigation of socially-economic disproportion and risks (MVU attīstības politikas pamatnostādnes, 2003).

The development of strong and territorially balanced sector of SMEs would ensure the increase of production activities, eliminate economic and social disproportions, and environmental abasement, as well as the principle of balanced and sustainable growth would be observed.

There are several studies and research done on some aspects of small and medium size enterprises and their role and place in national economy of Latvia and other countries (Kirila K., Rudusa I., 2004; Kozuch A, Kozuch B., 2000; Fisher E., Reuber R., 2000; Liepiņa R., 2003; Nikitina V., 2003; Saktiņa D., 2005, etc.). These findings reveal other problems requiring solutions, like the place and role of SMEs in particular regions, fi-

nancial support of these enterprises and some other aspects; therefore the current study is based on the following **hypothesis**: small and medium size enterprises constitute a significant part of economically active enterprises and consequently affect regional and national development. **The aim** of the research is to learn and evaluate the dynamics of small and medium size enterprises and determine their position in national economy of Latvia. The research comprises the development of the following items:

- study of the characteristics and legislative basis defining small and medium size enterprises;
- analysis of the dynamics and position of small and medium size enterprises.

The information compiled by the Ministry of Economics, the Central Statistical Bureau of Latvia, the legislation of the Republic of Latvia, materials of the European Commission, scientific publications and other materials have been used for the purpose of the study.

Results and discussion

Characteristics of small and medium size enterprises

There is no general definition of small and medium size enterprises neither in the world nor in Latvia, as various criteria depending on the policy of the country are applied to the identification of SMEs. Sometimes a SME definition is altered due to regional peculiarities or achievement of a certain goal. In general *quantitative* criteria are based on such indicators as number of employees or headcounts, turnover and balance. According to some foreign researchers like Fisher E. and Reuber R. (Fisher E., Reuber R., 2000) the term small and medium companies encompasses a heterogeneous group of businesses, ranging from a single artisan working at home and producing handicrafts to sophisticated software product firms selling in specialised global niches. What is, or is not, a SME is usually defined by the number of employees of the firm, and definitions vary between countries. Definitions used in developed nations will often have higher size thresholds than those in less developed countries. For example, in Mauritius, firms with fewer than 10 employees are considered microenterprises and firms with 10 to 49 employees are considered SMEs, while in Japan, firms with fewer than 300 employees are

considered small. In addition, some developed countries, such as Australia and Canada, differentiate between manufacturing firms and other firms; in Canada, for example, a small business is considered to be a manufacturing firm with fewer than 100 paid employees or any other firm with fewer than 50 paid employees, while a medium-sized has between 100 and 500 paid employees (Fisher E., Reuber R., 2000).

Within the general SME category a number of sub-groups can be identified: self-employed persons with no employees, microenterprises with fewer than 10 employees; small firms with 11 to 49 employees, and medium-sized firms with between 50 and 100 employees. In most economies, self-employed persons with no employees will constitute the majority of SMEs, and a very small portion will be medium-sized firms. However, self-employed persons and microenterprises are often underrepresented in official statistics because they may be excluded from registration requirements or able to avoid compliance with such requirements. Failure to recognise their prevalence within the population of SMEs can lead to a distorted characterisation of SMEs (Rudusa I., Kirila K., 2004).

On May 6, 2003 the European Commission adopted a new Recommendation 2003/361/EC regarding the SME definition which replaced Recommendation 96/280/EC as from 1 January 2005. The revision takes account of the economic developments since 1996 and the lessons drawn from the application of the definition. It increases legal certainty, while reducing possibilities of its abuse, particularly with regard to state aid, Structural Funds and the Research and Development Framework Programme. This Recommendation concerns all Community policies applied within the European Economic Area in favour of SMEs and is addressed to the Member States, the European Investment Bank and the European Investment Fund. The definition has been adopted in a number of Community acts and programmes and integrated in the field of state aids where SMEs can benefit from exemption provisions including aid for R&D and vocational training.

European SMEs are a key to deliver stronger growth and more and better jobs – the two main objectives of the new Lisbon partnership for Growth and Jobs. They make up a large part of Europe's economy: there are some 23 million

SMEs in the EU, providing around 75 million jobs and accounting for 99% of all enterprises. They are also a key part of European industry, as they contribute up to 80% of employment in some industrial sectors, such as textiles, construction or furniture (European Commission, 2005).

Micro, small and medium size enterprises are socially and economically important, since they contribute to entrepreneurship and innovation. However, they face particular difficulties, which the EU and national legislation try to redress by granting various advantages to SMEs. A legally secure and user-friendly definition is necessary in order to avoid distortions in the Single Market. The revision ensures that enterprises, which are part of a larger grouping and could therefore benefit from a stronger economic backing than genuine SMEs,

do not benefit from SME support schemes. According to the European Commission definition, breakdown of SMEs is characterised in Table 1.

The increase of the financial ceilings is designed to take into account subsequent price and productivity increases since 1996, however the headcount ceilings remain fixed.

Regardless of property and legal forms of commercial activities, international practice applies small number of employees and turnover as the key criteria for the determination of small size enterprise. These criteria have been chosen due to two aspects: the calculation of these indicators is quite simple, besides they are important as indicators for intensity of economic activities and acquisition of scientific and technical progress. In several sectors these parameters are classified by

Table 1

Breakdown of small and medium size enterprises according to the EC definition

Enterprise category	Headcount	Turnover	or	Balance sheet total
large	> 250	> EUR 50 million		> EUR 43 million
medium	< 250	≤ EUR 50 million		≤ EUR 43 million
small	< 50	≤ EUR 10 million		≤ EUR 10 million
micro	< 10	≤ EUR 2 million		≤ EUR 2 million

Source: *European Commission (2005)*.

Table 2

Breakdown of enterprise categories according to German practice

Company	Number or headcounts or employees	Sales turnover in DEM per year
Industry		
Small	up to 49	up to 2
Medium	50 - 499	2 - 25
Large	500 and more	25 and more
Transport and service sector		
Small	up to 2	up to 0.1
Medium	3 - 49	0.1 - 2
Large	50 and more	2 and more
Wholesale		
Small	up to 9	up to 1
Medium	10 - 199	1 - 50
Large	200 and more	50 and more
Retail		
Small	up to 2	up to 0.5
Medium	3 - 99	0.5 - 10
Large	100 and more	10 and more

Source: *Schwan K., Seipel K.G., 1994*.

the specification of the company, for example, in Germany the specification of small enterprises is used in several sectors (see Table 2).

The formulation of the notion *small and medium size enterprise* is extremely important to achieve the maximum possible effect of public support. In 2002 a draft "Law on Public Support Control" was prepared and introduced to the Cabinet, where a definition of SME was specified. Later this draft law was altered into the law "On Control of Aid for Commercial Activities", which entered into force on January 1, 2003. Within the meaning of the law "On Control of Aid for Commercial Activities" (Section 1) **small and medium size commercial companies** are commercial companies with the headcounts less than 250 employees, annual turnover not exceeding LVL 23 million or total amount of balance not exceeding LVL 15 million, where one or several commercial companies not complying with the abovementioned criteria have 25 per cent of shares or votes (Komercedarbības atbalsta kontroles likums).

Yet Basic Guidelines of the SME Development Policy in Latvia and especially documents mentioned in Section 8 according to the SME definition determined by the EU state that all small and medium size commercial companies are classified into 3 groups:

- a) medium commercial companies – commercial companies with
 - number of employees - from 50 to 249 employees;
 - annual net turnover - does not exceed LVL 23 million; or
 - total balance value - is under LVL 15 million;
- b) small commercial companies – commercial companies with
 - number of employees - from 10 to 49 employees;
 - annual net turnover - does not exceed LVL 4 million; or
 - total balance value - is under LVL 3 million.
- c) micro commercial companies – commercial companies with
 - number of employees – not more than 9 employees;
 - annual net turnover - does not exceed Ls 0.5 million; or
 - total balance value - is under Ls 0.4 million (MVU attīstības politikas pamatnostādnes).

In compliance with the Section 24 of the law "On the Annual Accounts of Undertakings", medium enterprises are undertakings, which do not exceed two of the following criteria:

- 1) balance sheet total - LVL 1 million;
- 2) net turnover – LVL 2.4 million;
- 3) average number of employees for the accounting year – 250 people (Par uzņēmuma gada pārskatiem).

The definition of small size enterprises is also included into Section 17 of the law of the Republic of Latvia "On Enterprise Income Tax". Within the meaning of the law a small undertaking is an undertaking in which, during the taxation year regarding which a tax is assessed, at least two of the following conditions are not exceeded:

- 1) balance sheet value of fixed assets - LVL 70 000;
- 2) net turnover – LVL 200 000;
- 3) average number of employees - 25 people.

The law envisages that the tax rebate for small undertakings shall be 20 per cent of the enterprise income tax assessed (Par uzņēmuma ienākuma nodokli). Here the notion "small" characterises only the size of any form of commercial activities. It means that almost any form of commercial activities which is subjected to and pays enterprise income tax – an individual merchant, farmers, as well as any other form of commercial activities – may become a small size enterprise and receive the tax rebate (Vedļa A., 2000).

According to Recommendation No 361 of the European Commission dated May 6, 2003, the Central Statistical Bureau of the Republic of Latvia also applies the breakdown of economically active market sector statistical units into the following size groups:

■ **large** statistical units: more than 249 employed; the total annual turnover exceeds LVL 33.4 million; the annual balance sheet total exceeds LVL 30.2 million;

■ **medium** statistical units: 50 - 249 employed; the total annual turnover equals or is lower than LVL 33.4 million; the annual balance sheet total equals or is lower than LVL 30.2 million;

■ **small** statistical units: 10 - 49 employed; the total annual turnover equals or is lower than LVL 6.7 million; the annual balance sheet total equals or is lower than LVL 7.0 million;

■ **micro** statistical units: 9 or less than 9 employed; the total annual turnover equals or is lower than LVL 1.4 million (the Central statistical Bureau of the Republic of Latvia, 2005).

Summarising the above-enumerated aspects, it may be assumed that there are no uniform criteria for definition of SMEs in Latvia and available statistical information is provided by the simplest classification of SMEs: small enterprises with the number of employees under 49, medium enterprises with the number of employees ranging between 50 and 250. Thus the display of several peculiarities of small and medium size enterprises is possible due to the quantitative indicators of the company:

- they have relatively small market share, depending on limited market and number of clients;
- manager and owner is one and the same person (a small group) who makes decisions;
- they have no possibilities to benefit from long-term specialists, especially in the fields of finances and marketing, administrative functions are being performed by the owner himself in a rather personified way, formal management structures are not used;
- types of financing are not related to the capital market;
- company acts as a subsistence basis for the owner and his family;
- a very close personal link exists between an entrepreneur and the local society, therefore the clarification of clients needs is facilitated, and flexible and fast response to the changes in demand is enhanced (Nikitina V., 2003).

It might be assumed that “localism” is more characteristic to small and medium size enterprises

than large enterprises, i.e, SMEs have regional or local markets and they are dependent upon local resources.

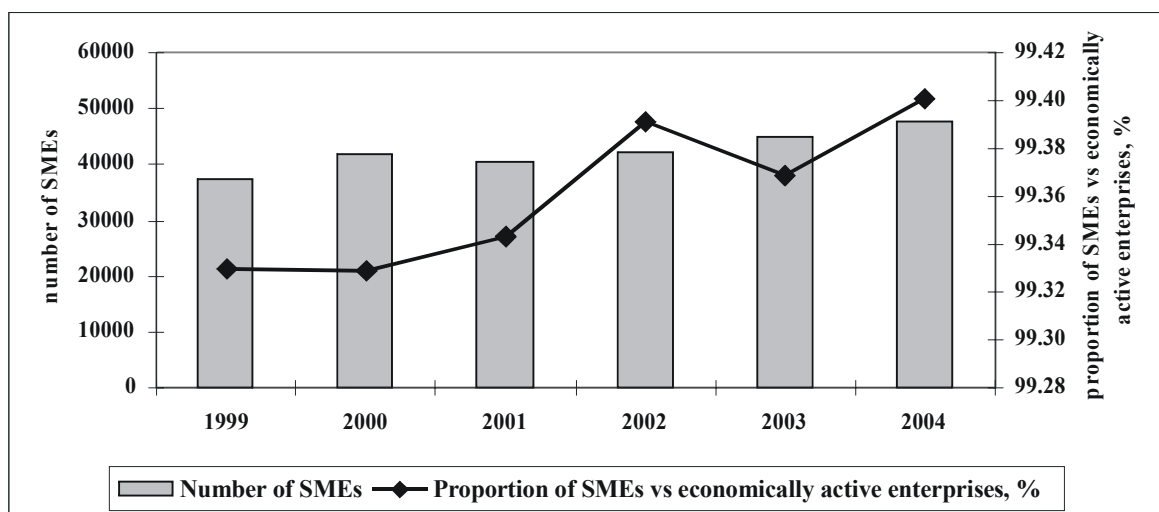
Transition to market economy has meant structural changes in the whole system of economic activities and thus new tendencies in the development of private business and consequently the development of small and medium size enterprises were marked.

Analysis of small and medium size enterprises dynamics

Small and medium-sized enterprises (SME) comprise a major part of national economy and play a significant role in employment and GDP growth in Latvia like elsewhere in Europe.

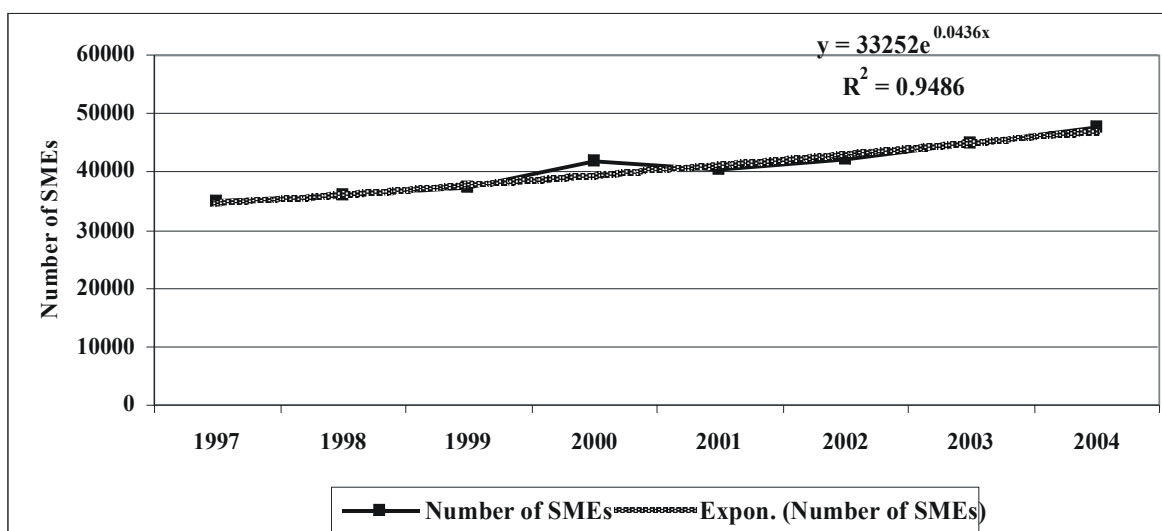
At the beginning of 2005 there were 48 053 economically active enterprises in Latvia, of which 47 765 or 99.4% fell in the category of SME (taking into account only the number of employees). The distribution of economically active SME in Latvia according to their size is similar to the one in the EU member states: micro enterprises – 76%, small enterprises – 20%, medium-size enterprises – 4%. 69.9% of private sector employees are employed in SME and create 63.2% of GDP (Ministry of Economics of the Republic of Latvia, 2005).

As it is shown in Figure 1, the number of SMEs has grown steadily with the exception of 2001, when it decreased by 1309 enterprises or 3.14% in comparison with the previous year. The decline in the number of economically active enterprises



Source: Ministry of Economics of the Republic of Latvia (1999-2004).

Fig. 1 Coherence between the number of SMEs and their proportion vs economically active enterprises between 1999 and 2004



Source: Calculations done by the author according to the Central Statistical Bureau (1997-2004).

Fig. 2 Exponential regression of the number of small and medium enterprises over the period 1997-2004

Table 3

SMEs by sectors of national economy between 1999 and 2004

Sector	1999	2000	2001	2002	2003	2004	Average increase of the row, %	Average increase of the base, %
Agriculture, hunting, forestry and fishery	1126	1137	1076	1149	1261	1373	3.50	5.42
Industry	4771	5256	5155	5375	5657	5842	3.50	11.98
Construction	2008	2270	2323	2456	2745	2998	8.42	27.41
Trade, repair services	18250	19527	18251	18057	18653	18518	0.40	1.92
Hotels and restaurants	1642	1936	1873	1973	2186	2326	7.44	25.38
Transport, storage and communications	2257	2601	2692	2744	3106	3356	8.38	28.49
Activities with real estate, rent and other commercial activities	4318	5297	5543	6297	7588	8245	14.02	52.71
Other sectors, including heat supply	2979	3686	3488	4223	3818	5107	12.72	36.44
TOTAL	37351	41710	40401	42275	45014	47765	5.15	16.28

Source: Calculations done by the author according to the Central Statistical Bureau (1999-2004).

explains also the decrease of SMEs in the particular year. The share of SMEs has exceeded 99% during the whole period analysed, if in 1999 it was 99.33% then in 2004 it already constituted 99.4%. This tendency evidences persistent significance of SMEs in national economy.

The equation of exponential regression was used for the evaluation of the growth rates of number of SMEs. The calculated equation of exponential regression is $y = 33252e^{0.0436x}$. It means

that the number of small and medium size enterprises has increased with the annual rate of 4.36%. Applying financial formulas related to the calculation of compound interest, the following equation is derived $Y_t = Y_0(1+r)^t$, where r - is the over time rate of growth of Y (Gujarati D.N., 1995). Since the value of the selective coefficient $b_1 = 0.0436 = \ln(1+r)$ characterizes the rate of growth in a period of time and not for the whole period, then to calculate the percentage rate of

growth or decay within the whole period, it is necessary to calculate $1+r=e^{0.0436x}$, the power of the base equals to 1.045 and thence $r=1.045-1=0.045$. It means that over the period 1997-2004, the number of SMEs has increased at the rate of 4.5%, therefore further increase of the number of SMEs is expected in the sector.

Statistical data of the recent years indicate positive trends in growth of the number of newly founded enterprises. Lursoft data show that 7690 newly founded enterprises were registered in 2003, 10 228 newly founded enterprises were registered in 2004, which is by 33% more than in 2003, and this growth has been the biggest during the last eight years (Ministry of Economics, 2005). The sector in which small and medium size enterprises operate is the basis for successful development of SMEs. Therefore the next study is done on the dynamics of SMEs by sectors of national economy (see Table 3).

According to the analysis of the information included into Table 3, the following conclusions may be drawn:

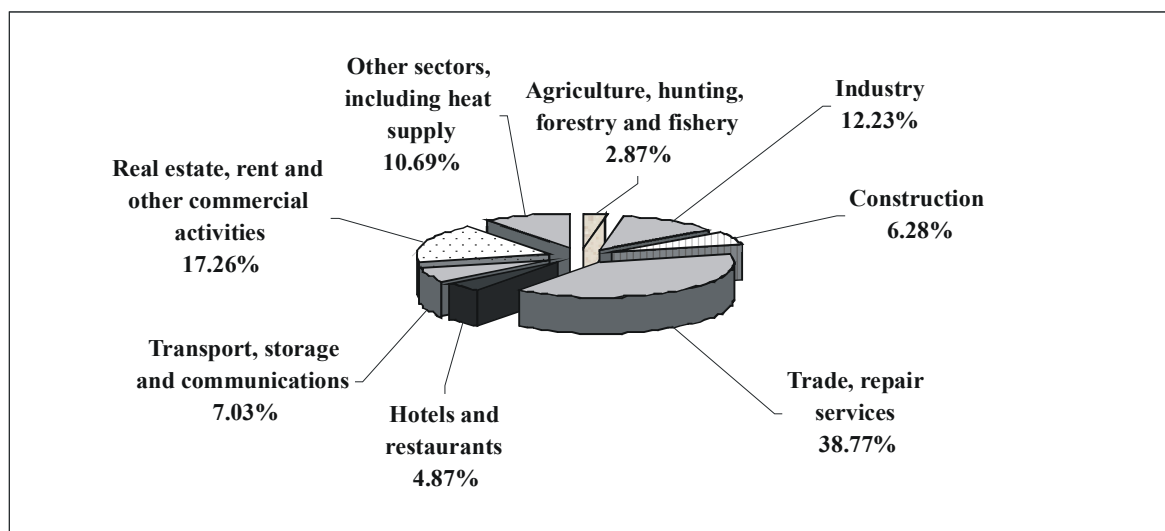
- 1) the number of small and medium size enterprises has increased in all sectors between 1999 and 2004;
- 2) the average rate of growth of the row evidences that the most rapid increase of the number of SMEs was observed in the sector of real estate and other commercial activities – by 14.02%, but in trade and repair services only by 0.4% per year;

- 3) absolute disparity of the number of SMEs in the sector of trade and repair services and agriculture and related sectors has risen from 17124 in 1999 to 17392 in 2003;

- 4) average increase of the base is extremely different and it fluctuates from 1.92 in trade to 52.71 in the sector of real estate.

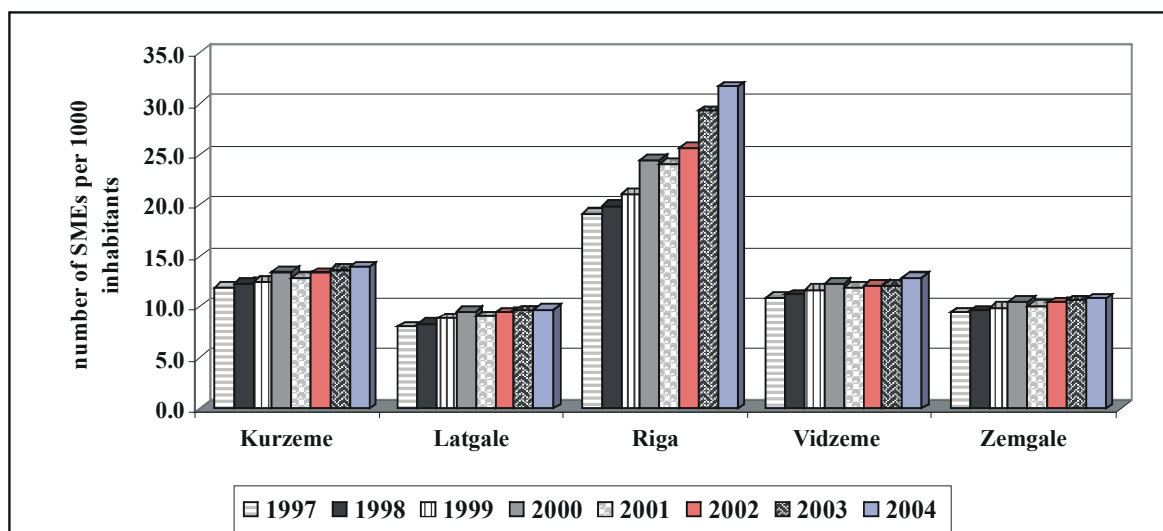
In general the average increases of the row and base over the period analysed is 5.15% and 16.28% respectively. In 2004 the number of SMEs has increased by 27.88% in comparison with the base year 1997. The least number of SMEs is observed in the sectors of agriculture, hunting, forestry and fishery, an increase is experienced in 2004. Since up to 2004 Latvia was not a member state of the EU, the development of agriculture, hunting, forestry and fishery sectors was hindered, as their produce was mainly sold in the local market and sales efficiency rate of SMEs in these sectors was rather low. Small and medium size enterprises broken down by sectors of national economy in 2004 are shown in Figure 3.

In 2004 according to the Central Statistical Bureau of the Republic of Latvia 38.77% of all SMEs were engaged in services related to trade and repair, 17.26% were dealing with real estate, rent and other commercial activities and for 12.23% of small and medium size enterprises the main business was industry. Therefore it may be concluded that there is quite diversified enterprise structure in Latvia.



Source: the Central Statistical Bureau (2004).

Fig. 3 Breakdown of SMEs by sectors of national economy in 2004



Source: Calculations done by the author according to the Central Statistical Bureau (1997-2004).

Fig. 4 Number of SMEs per 1000 inhabitants between 1997 and 2004

Table 4

SMEs by the largest cities and districts over the period 1999 – 2004

Cities and districts	1999	2000	2001	2002	2003	2004	Changes vs 1999	Changes vs 2003
Riga	19495	22681	21987	23218	25216	27950	8455	2734
Daugavpils	1457	1546	1434	1534	1600	1596	139	-4
Jelgava	865	912	895	953	1020	1031	166	11
Liepāja	1293	1427	1375	1448	1508	1495	202	-13
Rēzekne	563	590	577	598	599	603	40	4
Ventspils	822	852	783	780	817	822	0	5
TOTAL	24495	28008	27051	28531	30760	33497	9002	2737
Riga district	1870	2161	2238	2390	2502	2799	929	297
Daugavpils district	167	171	155	164	176	185	18	9
Jelgava district	256	266	264	276	294	309	53	15
Liepāja district	375	392	358	360	359	380	5	21
Rēzekne district	195	216	221	228	234	248	53	14
Ventspils district	96	106	111	119	123	121	25	-2
TOTAL	2959	3312	3347	3537	3688	4042	1083	354

Source: Calculations done by the author according to the Central Statistical Bureau (1999-2004).

The number of SMEs per 1000 inhabitants is used as the most important indicator of SMEs development in any country. According to this figure, Latvia (indicator equals to 20.71 in 2004) considerably lags behind the average level of the EU member states (51), and other EU candidate countries. Besides the indicator greatly varies by the regions of Latvia: in Riga - 31.69, Kurzeme - 13.94, Vidzeme - 12.87, Zemgale - 10.82, while in Latgale - 9.77. The disproportion (only 31.36%

of all economically active enterprises operate outside Riga) is deepened by the fact that the share of sales companies is relatively higher in the regions with lower level of entrepreneurial activities (in Latgale - 50.32%, while in Riga only 40.84%).

According to Figure 4, Riga region is the leading region in Latvia by the number of SMEs per 1000 inhabitants, the most extreme indicator has been reached in 2004 constituting 31.7 enterprises

per 1000 inhabitants, while in Latgale the respective figure amounts only to 9.7. The analysed figure has been almost steady in all the rest of the regions fluctuating between 9.4 to 13.9 enterprises per 1000 inhabitants; while in Riga region in 2004 the figure has grown by 12.49 enterprises per 1000 inhabitants in comparison with the base year 1997.

However in general the structure of the number of SMEs broken down by the sectors is quite similar and close to the average national indicator in different regions of Latvia (in sales - 42.5%, industry - 12.9%, transport, storage and communications - 6.51%, construction - 5.81%, hotels and restaurants - 4.64%, agriculture, hunting, forestry and fishery - 2.7%). The only exception is activities with real estate, rent, computer services, scientific and other commercial services, the share of which is twice higher in Riga (18.52%) than in other regions of Latvia. Particularly the share of small enterprises is relatively higher in Riga region than in other regions, besides part of these enterprises are innovative producing goods with high value added.

Between 1999 and 2004 the majority of small and medium size enterprises have operated in Riga and Riga district (see Table 4). In 2004, for instance, 58.5% of all SMEs were concentrated in Riga, the fact could be explained as there is higher level of economic activity and purchasing power of the population as it is in another cities and towns of Latvia. Therefore owners and managers of SMEs do not have to face low demand for their production or services. However the high concentration of enterprises in Riga aggravates competition and leads to the development of new products and services.

The number of SMEs has increased in almost all cities and districts, yet a small decrease in 2004 in comparison with 2003 was observed in the cities of Liepāja and Daugavpils and Ventspils district.

Discussion

During the last decade, negative trends are observed in socio-economic development of Latvia, namely, rapid development of Latvian economic centres and stagnation or even regress in development of the other territory at the same time. This has created increased differences between cities and rural areas as well as between the central part and periphery of the country. Integrated

development of rural territories, including development of non-agricultural business activity, is a necessary precondition for balanced development of the country. Therefore there is a need to establish conditions for the elimination of regional disparities and the **Basic Guidelines of the SME Development Policy in Latvia** is a document, which lays down the basic principles of activity of the government, long-term objectives and tasks as well as the main directions of the SME development policy. The goal of the *Basic Guidelines* is to ensure promotion of favourable environment for business activity, to spur initiative of entrepreneurs and lessen the total risk, to prevent obstacles to business activity, to promote stability and efficiency of financial system and capital market in order to improve competitiveness of the enterprises in the market.

Implementation of these measures is planned in close connection with the plans for the use of financial resources from the EU Structural Funds. So the Programme is directly focused on solution of the principal SME development problems - inaccessibility of start-up capital to launch small and medium-size business, lack of financial resources to expand activity of already established enterprises, lack of information for the existing and potential entrepreneurs about the EU legislation in the field of business policy, insufficient knowledge of how to express opinion and efficiently influence EU legislative initiatives in this sphere, and existence of barriers hindering business activities (Ministry of Economics, 2005).

Conclusions

1. There is no general definition of small and medium size enterprises neither in the world nor in Latvia, as various criteria depending on the policy of the country are applied to the identification of SMEs, yet sometimes a SME definition is even altered due to regional peculiarities or achievement of a certain goal.

2. Micro, small and medium size enterprises are socially and economically important, since they represent more than 99% of all enterprises in Latvia and contribute to entrepreneurship and innovation.

3. Small and medium size enterprises comprise a major part of national economy and play a significant role in employment and GDP growth in Latvia like elsewhere in Europe. Thus at the

beginning of 2005 there were 48 053 economically active enterprises in Latvia, of which 47 765 or 99.4% fell in the category of SME (taking into account only the number of employees).

4. Absolute disparity of the number of SMEs in the sector of trade and repair services and agriculture and related sectors has risen from 17124 in 1999 to 17392 in 2003.

5. The average increases of the row and base over the period analysed is 5.15% and 16.28% respectively. The least number of SMEs is observed in the sectors of agriculture, hunting, forestry and fishery, as till 2004 the development of agriculture, hunting, forestry and fishery sectors was hindered due to the sales of their produce mainly in the local market and low sales efficiency rate.

6. In 2004 according to the Central Statistical Bureau of the Republic of Latvia 38.77% of all SMEs were engaged in services related to trade and repair, 17.26% were dealing with real estate, rent and other commercial activities and for 12.23% of small and medium size enterprises the main business was industry. Therefore it may be concluded that there is no qualitative enterprise structure in Latvia.

7. The number of SMEs per 1000 inhabitants is the most important indicator of SMEs development in any country. According to this figure, Latvia (indicator equals to 20.71 in 2004) considerably lags behind the average level of the EU member states (51), and other EU candidate countries. Besides the indicator greatly varies by the regions of Latvia: in Riga - 31.69, Kurzeme - 13.94, Vidzeme - 12.87, Zemgale - 10.82, while in Latgale - 9.77.

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Kopsavilkums

Eiropas Savienības ekonomiku raksturo mazo un vidējo uzņēmumu radīto darba vietu skaits, mazāks bezdarba līmenis un lielāks eksporta īpatsvars. Rakstā apskatīta mazo un vidējo uzņēmumu attīstība, jo pētījuma mērķis ir izpētīt un novērtēt mazo un vidējo uzņēmumu dinamiku

un to vietu Latvijas tautsaimniecībā. Analīze aptver laika periodu no 1997. gada līdz 2004. gadam. Pamatojoties uz apkopoto un izanalizēto statistisko informāciju, tika secināts, ka mazie un vidējie uzņēmumi ieņem ievērojamu vietu tautsaimniecībā, jo tie veido vairāk nekā 99% no visiem Latvijas uzņēmumiem, kā arī veicina uzņēmējdarbības un inovāciju attīstību. Tomēr MVU skaits uz 1000 iedzīvotājiem joprojām ir nepietiekams, lai nodrošinātu veiksmīgu Latvijas tautsaimniecības attīstību, jo Latvijas rādītājs (20,71 – 2004. gadā) ievērojami atpaliek no vidējā ES dalībvalstu (51) un kandidātvalstu rādītāja.

***Atslēgas vārdi:** Mazie un vidējie uzņēmumi (MVU), tautsaimniecība, reģioni.*