



Status and Trends in the Development of Small and Medium-Sized Enterprises in the Service and Tourism Sector in the Slovak Republic

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Abstract: *Small and medium-sized enterprises are typical of the tourism sector, they are adaptable and able to meet individual as well as specific consumer demands. This paper analyses the sectoral and regional structure of tourism SMEs (exactly how many of them are in the sector, where they are located and what economic activity they carry out within the tourism sector). The analysis of the structure will provide a sufficient picture of which sectors most SMEs operate in and in which region these SMEs are located. A subsequent comparison of the pre-pandemic and post-pandemic periods will reveal changes in the status and development of SMEs in the service and tourism sectors in Slovakia. And then statistical methods of forecasting development trends will make it possible to outline the possible future direction of the development of SMEs in Slovakia after the end of the pandemic.*

1. INTRODUCTION

Tourism is an important sector that has an impact on the development of the economy of every country, it is an important component of every national economy. It plays an important role especially from the point of view of economic and social indicators of the economy. It is the most important source of well-being for many regions and countries. The ability of the national economy to benefit from tourism depends on the availability of investments for the development of the necessary infrastructure and its ability to meet the needs of tourists. Tourism represents a huge potential for the economic growth of any country. It represents a key sector at the macroeconomic level. This means that this type of industry and its development is a stimulating and positive contribution to the state's balance of payments and also helps to eliminate regional disparities. (Wall, G., Mathieson, A., 2006, p.70). And last but not least, it is also important for the labor market. Tourism represents the largest and most dynamically developing service industry today. It is constantly enriched with new activities, markets, destinations and is influenced by various globalization trends. It is considered an important tool for regional development, preserving the quality of the environment and protecting native cultures. (Gregorová, B. et al., 2015, p.7) As such, the Slovak Republic has a very good potential for the development of many forms of active tourism (urban and cultural tourism, spa and health tourism, winter tourism, summer mountain and water tourism, rural tourism and agrotourism) (Gregorová, B. et al., 2015, p.36).

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2. TOURISM IN THE SR AND SMALL AND MEDIUM-SIZED ENTERPRISES

Under the conditions of the Slovak Republic, small and medium-sized enterprises provide the decisive offer of services in the tourism industry. In the target destinations, they create an offer of services (e.g. accommodation and catering services, axle transport, rental of equipment, etc.) and thereby significantly determine the degree of competitiveness, or they contribute to its further development. Why is tourism typical for small and medium-sized businesses? This is due to their characteristic features, especially their ability to adapt and respond flexibly to various specific and individual demands from the demand side. Exactly as stated by Gučík (2010), the size of enterprises has an impact on the efficiency of business activities, the efficiency of the use of technology, the introduction of modern technologies, etc. Small and medium-sized enterprises represent the driving force of tourism, its growth and development, they are a source of innovation and competitiveness in the tourism industry. The development of the number of small and medium-sized enterprises operating in the tourism industry in Slovakia is shown in Table 1. The table also shows the share of tourism SMEs in the total number of SMEs in the economy. This share ranges from 4 to 5%. But despite such a small share, the economic contribution of tourism businesses is high for the economy. In the period before the outbreak of the COVID-19 pandemic in 2019, the share of tourism in the creation of GDP was 6.2 billion EUR (6.4% of GDP), which is a really interesting value. In 2020, however, we have already recorded a 49.6% drop to the level of 3.1 billion EUR (3.4% of GDP).

Table 1. Development of the number of SMEs in tourism in the Slovak Republic

<i>year</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>
<i>number of SMEs</i>	25346	25302	23881	25360	25129	25499
<i>chain index</i>		0,998	0,943	1,061	0,990	1,014
<i>share of tourism SMEs in the total number of SMEs in the Slovak Republic (in %)</i>	4,55%	4,71%	4,27%	4,26%	4,21%	4,02%

Source: Based on data from the Statistical Office of the Slovak Republic

Table 2. Number of SMEs operating in tourism by region, in 2020 and 2021.

	<i>2020</i>		<i>2021</i>		<i>change of share (in %)</i>
	<i>number</i>	<i>share in %</i>	<i>number</i>	<i>share in %</i>	
<i>Region of Bratislava</i>	6054	24,09	6000	23,53	-0,56
<i>Region of Banská Bystrica</i>	2640	10,51	2623	10,29	-0,22
<i>Region of Košice</i>	2542	10,12	2642	10,36	0,25
<i>Region of Nitra</i>	2890	11,50	2968	11,64	0,14
<i>Region of Prešov</i>	3115	12,40	3192	12,52	0,12
<i>Region of Trenčín</i>	2270	9,03	2335	9,16	0,12
<i>Region of Trnava</i>	2686	10,69	2743	10,76	0,07
<i>Region of Žilina</i>	2932	11,67	2996	11,75	0,08
<i>together in SR</i>	25129	100,00	25499	100,00	0,00

Source: Based on data from the Statistical Office of the Slovak Republic

From a regional point of view, the Bratislava region has the smallest and medium-sized tourism enterprises at 23.5%. The Bratislava region is followed by the Prešov region, whose enterprises make up 12.52% of all enterprises operating in the tourism industry. The number of enterprises in the Žilina and Nitra regions ranges from 11.5 to 11.75%. The least active tourism SMEs can be found in the Trenčín Region (9.16% in 2021). Table 2 shows the development of the number

of small and medium-sized enterprises in the tourism industry in individual regions of the Slovak Republic over the last two years. One of the priority goals of the state's economic policy is the reduction of regional disparities, and tourism as such can be very helpful in this regard. It should be emphasized here that tourism is strongly dependent on local infrastructure. And, therefore, the quality of the infrastructure is an important determinant of the flow of visitors to the region, thereby contributing to the overall development of this region. With the construction and improvement of the infrastructure, the region becomes more attractive for tourists and they begin to come to the destination, which will create the need for the creation of business entities that will satisfy the needs of tourists.

Figure 1 documents the development of sales in small and medium-sized tourism enterprises in Slovakia in the period before and after the outbreak of the COVID-19 pandemic. Here we can clearly observe a drop in sales to the level of EUR 95,658.97 (a drop of 87.23% compared to 2019) in 2020, which represents the lowest sales not only for the monitored period but for several decades in Slovakia. Slovak tourism suffered losses in the amount of approximately EUR 653 thousand compared to the previous monitored year. Because as a result of the dangerous spread of the disease COVID-19, not only in Slovakia, but also worldwide, there was a restriction on travel, a restriction on the operation of accommodation facilities, restaurant facilities and cultural institutions.

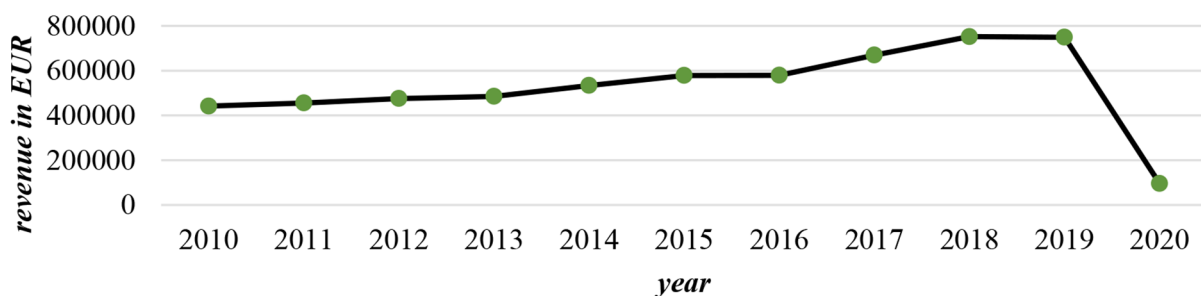


Figure 1. Development of tourism revenues in Slovakia in 2010 – 2020 in EUR

Source: Based on DATAcube data

Of course, small and medium-sized tourism enterprises have their irreplaceable place in the creation of jobs in the economy. Their share of total employment in the economy was 6.2% before the pandemic. In 2019, small and medium-sized enterprises operating in the tourism industry employed 184,891 employees. In the following year, there were only 148,900 employees (a decrease of 19.47%). Despite financial aid from the state, small and medium-sized enterprises were unable to maintain jobs during the pandemic and were forced to lay off workers. Many small and medium-sized enterprises in the tourism industry suffered significant financial losses and, because they could no longer withstand the ongoing and worsening pandemic situation, were forced to close their business activities. Even in 2021, it was not possible to increase the number of employees in small and medium-sized tourism enterprises, and this year too we recorded a year-on-year decrease in jobs by 0.2%.

From a regional point of view, the highest increase in the number of unemployed in the tourism industry (the so-called Covid period) is recorded in the Žilina region at 25.6%, followed by the Prešov region at 17.4%, the Banskobystrický region (14.2%) and the Košice region (12.2%). These regions had an increase of more than 10%. Trnava and Nitra region had 9.3% and the lowest increase was in Bratislava (7.1%) and Trenčín region (5.9%).

Table 3. Number of SMEs operating in tourism by SK NACE, 2016-2021.

		2016	2017	2018	2019	2020	2021
Passenger transport (rail, road, water, air)	Taxi	1537	1571	1351	2193	2370	2242
	Other passenger land transport	3969	4003	3803	3485	2940	2892
	Maritime and coastal passenger water transport	4	4	5	4	3	3
	Inland passenger water transport	22	30	30	40	42	40
	Passenger air transport	38	39	34	33	37	51
Accommodation services	Hotel and similar accommodation	7000	673	639	643	648	665
	Tourist and other short-term accommodation	1200	1305	1360	1580	1785	1899
	Motorhomes, campsites and places for caravans	25	25	23	21	20	16
Catering services	Restaurant activities and mobile sales	11891	11647	10891	11338	11299	11557
	Hospitality services	3729	3750	3698	3885	3690	3814
Rental of equipment for personal transport	Rental and leasing of cars and light motor vehicles	659	608	535	536	514	500
	Rental and leasing of trucks and other heavy vehicles	26	31	35	37	74	67
	Rental and leasing of recreational and sports equipment	79	97	113	146	332	341
Activities of travel agencies, reservation services of travel agencies and related activities	Activities of travel agencies	676	689	606	643	652	652
	Activities of travel offices	571	587	531	507	494	507
	Other reservation services and related activities	219	242	226	269	229	253
Together		25346	25302	23881	25360	25129	25499

Source: Based on data from the Statistical Office of the Slovak Republic

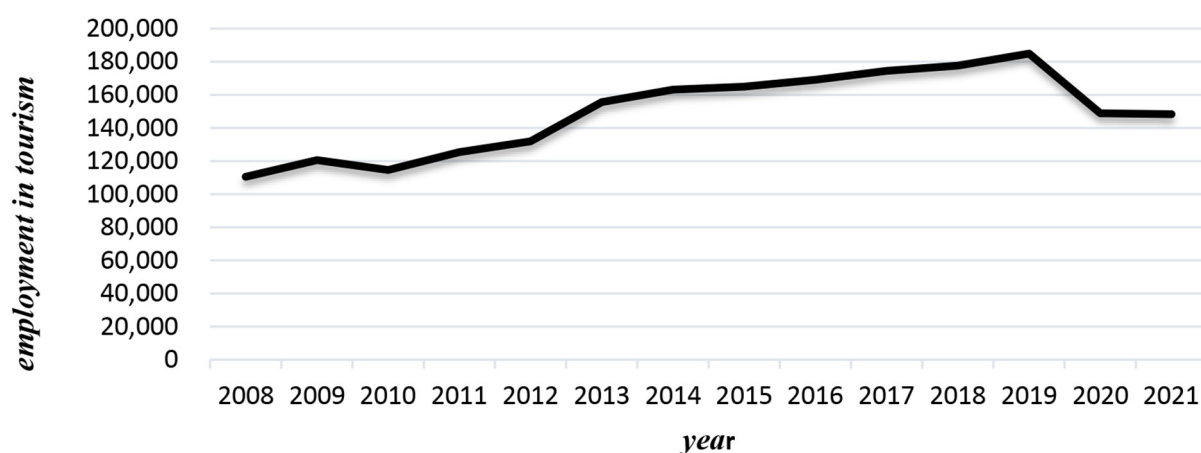


Figure 2. Development of the number of employees in tourism in the Slovak Republic

Source: Based on DATAcube and data extracted from OECD.Stat

3. FUTURE RESEARCH DIRECTIONS

From other businesses that operate in other sectors of the national economy, businesses operating in the tourism industry are distinguished mainly by frequent seasonality, changes in demand, and demands on human resources (not only in terms of numbers but also in terms of qualifications and performance). Through their activity, small and medium-sized tourism businesses influence the tourism destination positively (e.g. growth in attractiveness and awareness of the destination, a wider range of services, higher employment in the destination and its surroundings, higher income for the destination and its surroundings), but also negatively (for example there is increased movement of tourists, increased noise, number of cars, growth of ecological loads). Although SMEs have an irreplaceable place in the industry, in the field of tourism they encounter many limitations (limited amount of financial resources, high level of administrative burden, lack of qualified people, increasing cost of labor, which constitutes a significant part of costs in services, strong mutual competition, and by large companies, low level of joint management, etc.). The tourism industry is significantly affected by new trends and challenges, which entail the need for the industry to react and adapt to new conditions:

- digitization, virtual reality,
- development of shared economics,
- robotics and artificial intelligence - use of chat-bots, robots,
- use of biometrics at airports/train stations, voice commands at hotels, fingerprints,
- intelligent tourism,
- ecological travel – reducing the carbon footprint, electric cars, eco-friendly hotels, restaurants and other ecologically oriented businesses,
- healthy foods and organic foods.

4. CONCLUSION

In conclusion, we must state that as a result of the dangerous spread of the disease COVID-19, there has been a worldwide restriction on travel, a restriction on the operation of accommodation facilities, restaurant facilities and cultural institutions. The adopted anti-pandemic measures of the governments in most cases did not allow residents to travel. The outbreak of the COVID-19 pandemic was an immediate shock to the tourism industry and has caused this area of the economy to be loss-making. On the one hand, this situation in the tourism industry is perceived as an excellent opportunity for the modernization of tourism, the development of tourism in new dimensions in accordance with ecological and social responsibility. On the other hand, of course, this situation is perceived negatively, from the point of view of a significant drop in sales in the tourism industry, the disappearance of promising business entities in the regions, the dismissal of employees who have taken jobs in other areas in the meantime and are no longer interested in returning, etc.

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