

Promoting small and medium-sized businesses in Europe for sustainable development in the digitalization era

Irina N. Platonova (0000-0003-1448-3587)^{1,2(1)}, **Maria A. Maksakova** (0000-0001-6851-8744)^{1,3}

¹ MGIMO University, Moscow, Russia

² Financial University under the Government of the Russian Federation, Moscow, Russia

³ Institute of Economics of the Russian Academy of Sciences, Moscow, Russia

Abstract. Taking into account the fact that enterprises of small and medium-sized businesses account for the largest share of all the EU-enterprises, create a significant number of jobs, make a great contribution to the development of the European countries economies, promoting their participation in the implementation of the Sustainable Development Goals is an urgent problem. Therefore, its solution is of great practical importance. The use of a criterion analysis of different views on the forms of assistance to small and medium-sized enterprises shows that the need to find financial resources in order to participate in the “green” economy is not always taken into account. Based on the content analysis of the reports of the European Commission and national programs on sustainable development, the need for comprehensive support for small and medium-sized businesses is justified. This particular study emphasizes the need to assist small and medium-sized enterprises in order to overcome the negative consequences of the corona-crisis for their activities. A comparative analysis of the sustainable development practices of European countries led to the conclusion that a comprehensive form of assistance to small and medium-sized enterprises can be their cooperation with large business, which receives state support in the form of grants and subsidies and is able to attract small and medium-sized businesses to participate in global value chains, which in the future will expand the number of participants implementing the European Green Deal.

Keywords: European Union · Green Deal · Competitiveness · Small and medium-sized businesses · Digitalization.

1. Introduction

The need to assist the enterprises of small and medium-sized businesses (SMEs) of the European Union in achieving the sustainable development goals is determined by the important place they occupy in the economy of European countries. According to the UN Conference on Trade and Development (UNCTAD), micro, small and medium enterprises in the world account for about 90% of companies, 60-70% of jobs, 50% of GDP (UNCTAD, 2021). This statistic fully characterizes the place of SMEs in the European Union. Small and medium-sized businesses provide employment to the population, contributing to overcoming social inequality, and also play an important role in global value chains (European Commission, 2020; McDougall et al., 2022).

¹ Corresponding author: irplato56@mail.ru

According to Eurobarometer, enterprises in this sector account for about 60-70% of the European economy, and the total share of their CO₂ emissions into the atmosphere is 63% (European Union, 2022). In March 2020, the European Commission developed the strategy “SMEs strategy for a sustainable and digital Europe”, which aims to support European SMEs in achieving carbon neutrality and digitalization, reducing regulatory barriers in the context of a network approach (O’Keeffe et al., 2016).

The development of programs to support small and medium-sized businesses in the EU is based on rich theoretical studies of environmental problems. The rapidly developing scientific direction of “ecological economics” is presented in the works of Robert Costanza, who proves the need to take into account all the costs of eliminating environmental damage, including the costs of preventing the occurrence of such damage, more fully take into account the total costs and improve taxation for the use of land and water resources (Costanza, 2009). The negative impact of the pandemic on the operational, financial and investment activities of SMEs, as well as issues related to the development of appropriate strategies to overcome the consequences of the COVID-19 pandemic, including at the state level, are the focus of attention of a number of researchers (García-Perez-de-Lema et al., 2022).

At the same time, issues related to the promotion of SMEs that participate in projects and activities for sustainable development have not been sufficiently studied. Taking into account the variety of forms of assistance and support for SMEs with their participation in the “European Green Deal” (European Commission, 2019), which was presented by the European Commission on December 11, 2019, the purpose of this study is to identify and analyze the forms of assistance and support for SMEs involved in sustainable development in conjunction with large businesses that have more opportunities to use the principles of sustainable development based on the potential of digitalization. In addition, during the analysis, the authors raise the following research question, whether the cooperation of SMEs with large businesses contribute to the support of small and medium-sized businesses that have been significantly affected by the COVID-19 pandemic?

In order to achieve this purpose and answer the research question, it is assumed to identify the most preferred form of assistance to SMEs in sustainable development, based on the analysis of “greening” programs developed in the EU and the practice of European economies on the participation of SMEs in sustainable development programs (in accordance with the “double transition”, including the European Green Deal and Digital Agenda for Europe).

2. Materials and Methods

In order to identify the forms of assistance and support for SMEs involved in sustainable development by means of using the digitalization opportunities, the following tasks were identified, the solution of which will allow to realize the purpose. Such tasks include:

- using a comparative analysis of the EU’s strategic programs for achieving the Sustainable Development Goals and the content of national programs for “greening” the economies of European countries;
- identification of measures to promote SMEs for sustainable development based on a comparative analysis of various practices of SME support.

A criterion analysis of the points of view that assesses the measures of assistance to SMEs implementing the “green deal” in the EU with the use of digital technologies allowed us to reveal the shortcomings of certain forms of assistance and show the need for comprehensive support for SMEs, especially in overcoming the devastating crisis caused by COVID-19. The content analysis of national programs allowed the authors to focus on the most preferred forms of assistance to SMEs for sustainable development at the national level.

In order to identify the forms of assistance to SMEs in sustainable development, a qualitative analysis of the strategies “SMEs strategy for a sustainable and digital Europe” and “MSMEs: Key to an inclusive and sustainable recovery. Micro-, Small and Medium-sized Enterprises” was used, as well as national sustainable development programs. This approach allowed the authors to conclude that it is

necessary to cooperate the efforts of SMEs and large businesses to implement the measures noted in the listed documents.

3. Results

A study of the involvement degree of SMEs in the EU countries in the implementation of pan-European programs (the field of environmental and social sustainability) shows that 34% of companies have already developed a strategy or action plan for the transition to the principles of sustainability, 40% may consider such an opportunity in the future, and 30% of companies are developing sustainable goods and services (European Commission, 2020). The most popular sustainable development measures used by SMEs include the following: improving the working conditions of workers and increasing employment (Herman, 2012), recycling or reuse of materials (Chaudhuri et al., 2022), reducing the consumption of natural resources, energy conservation, the use of renewable sources (European Commission, 2020), the use of technology closed-loop using digital platforms (Centobelli et al., 2021; Dey et al., 2022; Rodriguez-Espindola et al., 2022) with the perspective of sustainable supply chain management (Chaudhuri et al., 2022). Much attention is paid to the competitive potential of SMEs based on the experience of individual countries (Cigelkova et al., 2019; Chiappini et al., 2022).

Among the factors hindering the transition of EU small and medium-sized businesses to the principles of sustainability, it is possible to distinguish:

- inconsistency of sustainability principles with current business models of companies;
- insufficient understanding of ways to overcome possible profit losses during the transition to the principles of sustainable development;
- lack of financial resources.

It is particularly worth noting that the factor of lack of financial resources ranks first among the rest (Haiyang and Xiaohui, 2022).

Summarizing the practice of promoting and encouraging SMEs to use the principles of the “green” economy in the EU countries allows to single out as the most comprehensive assistance measure – the establishment of cooperation between SMEs with large enterprises and banks that participate in state sustainable development programs (Cigelkova et al., 2019) and receive state grants, guarantees and subsidies (Chiappini et al., 2022). As an example, the authors can cite the program “Future of the German Mittelstand” (Federal Ministry for Economic Affairs and Climate Action, 2020), under which an energy transfer of 17 billion euros is financed and up to 20% of investment costs are covered (European Commission, 2021). The “KfW-Environmental Program” program was developed specifically to support German SME companies in 2020, in the amount of up to 25 million euros for the use of renewable energy sources and environmental protection measures.

Small and medium-sized businesses in the Czech Republic, within the framework of the “Operational Program Entrepreneurship and Innovation for Competitiveness” program, provides financing to support the development of sustainable practices together with the European Regional Development Fund. Within the framework of the “SMEs support program Renewable Sources of Energy”, enterprises are provided with targeted support for one project: up to 50% of expenses for small enterprises and 45% for medium-sized enterprises (Ministry of Industry and trade of the Czech Republic, 2015; International Trade Centre, 2021).

A comparative analysis of measures to support European SMEs involved in sustainable development allows to conclude that factors limiting financial support for SMEs, such as the complexity of assessing credit, price and economic risks in the implementation of environmental projects, can be counteracted by interaction with large businesses. From the perspective of banks, the credit status of SMEs is low, which increases the cost of credit for them, so it is assumed that other sources of SME support will be used. Assessing the experience of the EU countries in supporting SMEs, it can be concluded that the most preferable form of support is the inclusion of SMEs in the structure of large concerns implementing a sustainable development strategy. This kind of cooperation

will allow small and medium-sized businesses to participate in global value chains and eliminate difficulties with financing environmental aspects of their activities. The need for cooperation between SMEs and large corporations has become more evident in the context of the COVID-19 crisis, which has affected SMEs to a greater extent (García-Perez-de-Lema et al., 2022). The report of the International Trade Center for 2021 “SME Competitiveness Outlook” (International Trade Center, 2021) emphasizes the need for systematic preparation for the upcoming climate crisis when developing a set of measures to restore SMEs after the pandemic.

4. Discussion

Among the measures to assist SMEs involved in sustainable development in the context of digitalization, much attention is paid to the implementation of specific measures of the “green” economy, including a closed production cycle, energy conservation (European Union, 2022), while insufficient attention is paid to the financing of the implementation of these measures (Haiyang and Xiaohui, 2022). The European experience shows the need for comprehensive assistance to SMEs for sustainable development. The issues of promoting the participation of SMEs in sustainable development have become one of the important areas of the scientific discourse of the EU countries in which programs are implemented within the framework of the EU Green Deal.

During the economic crisis caused by the COVID-19 pandemic, the problem of assistance to SMEs significantly affected by the negative consequences of the coronacrisis came to the fore (International Trade Centre, 2021), while it is small and medium-sized businesses that are an important part of the economic structure of European countries. Moreover, the close interaction and cooperation of SMEs with large enterprises helps to overcome the limitations of financing and allows guaranteed participation in global value chains.

5. Conclusion

A comparative analysis of measures to assist SMEs involved in the sustainable development of the EU economy in accordance with the European Green Deal showed that European countries use various forms of inclusion of small and medium-sized businesses in the “green” economy. But at the same time, considerable attention is paid to the choice of those measures that are more accessible to them with a lack of funding. To a greater extent, these are organizational measures, such as the establishment of waste-free production, energy conservation, etc.

Thus, within the framework of the study, the authors substantiate the need for cooperation with large businesses that successfully implement the principles of sustainable development, including on the basis of the potential of digitalization. The limitations associated with attracting external “green” financing of banks can be overcome through other sources of assistance to SMEs.

A study of the practice of European countries has shown that a comprehensive form of assistance and support for SMEs, especially in overcoming the devastating consequences of the economic crisis caused by the COVID-19 pandemic, is cooperation with large businesses participating in the implementation of EU programs and having the opportunity to receive national grants and subsidies. This kind of cooperation opens up opportunities for SMEs to participate in global technological value chains in the “green” economy and is of practical interest in the implementation of the “SMEs strategy for a sustainable and digital Europe” strategy. In addition, the conclusions obtained in the course of this study are the basis for further search for those areas of assistance to SMEs in sustainable development, which in the future will increase the effectiveness of their participation in the implementation of the Sustainable Development Goals of the European economy.

References

1. P. Centobelli, R. Cerchione, E. Esposito, R. Passaro, Shashi, *Int. J. Prod. Econ.* **242**, 108297 (2021). <https://doi.org/10.1016/j.ijpe.2021.108297>
2. A. Chaudhuri, N. Subramanian, M. Dora, *J. Bus. Res.* **142**, 32-44 (2022). <https://doi.org/10.1016/j.jbusres.2021.12.039>

3. R. Chiappini, B. Montmartin, S. Pommet, S. Demaria, *Res. Pol.* **51(5)**, 104493 (2022). <https://doi.org/10.1016/j.respol.2022.104493>
4. E. Cigelkova, I. Platonova, E. Frolova, *Econ. Reg.* **15(1)**, 256-269 (2019). <https://doi.org/10.17059/2019-1-20>
5. R. Costanza, *Real-World Econ. Rev.* **49**, 20-21 (2009). Accessed on: November 01, 2021. [Online]. Available: <http://www.paecon.net/PAEReview/issue49/Costanza49.pdf>
6. P.K. Dey, C. Malesios, S. Chowdhury, K. Saha, P. Budhwar, D. De, *Int. J. Prod. Econ.* **27**, 108496 (2022). <https://doi.org/10.1016/j.ijpe.2022.108496>
7. European Commission. A European Green Deal (2019). Accessed on: November 01, 2021. [Online]. Available: https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en
8. European Commission. SME strategy for a sustainable and digital Europe (2020). Accessed on: November 01, 2021. [Online]. Available: https://ec.europa.eu/info/sites/default/files/communication-sme-strategy-march-2020_en.pdf
9. European Commission. SMEs, start-ups, scale-ups and entrepreneurship: desk research report, Publications Office (2020). Accessed on: November 01, 2021. [Online]. Available: <https://data.europa.eu/doi/10.2775/413656>
10. European Commission. SME Country Fact Sheet. Germany (2021). Accessed on: November 01, 2021. [Online]. Available: <https://ec.europa.eu/docsroom/documents/46076>
11. European Union. Flash Eurobarometer 498. SMEs, green markets and resource efficiency (2022). Accessed on: November 01, 2021. [Online]. Available: <https://europa.eu/eurobarometer/api/deliverable/download/file?deliverableId=81023>
12. Federal Ministry for Economic Affairs and Climate Action. Future of the German Mittelstand' Action Programme (2020). Accessed on: November 01, 2021. [Online]. Available: <https://www.bmwk.de/Redaktion/EN/Dossier/sme-policy.html>
13. D. García-Perez-de-Lema, A. Madrid-Guijarro, A. Durendez, *Int. J. Disaster Risk Reduc.* **75**, 102951 (2022). <https://doi.org/10.1016/j.ijdrr.2022.102951>
14. W. Haiyang, Z. Xiaohui, *Procedia Comp. Sci.* **199**, 1521-1528 (2022). <https://doi.org/10.1016/j.procs.2022.01.194>
15. E. Herman, *Procedia Econ. Fin.* **3**, 290-297 (2012). [https://doi.org/10.1016/S2212-5671\(12\)00154-2](https://doi.org/10.1016/S2212-5671(12)00154-2)
16. International Trade Centre (2021). SME Competitiveness Outlook. Empowering the Green Recovery. Accessed on: November 01, 2021. [Online]. Available: <https://www.intracen.org/smeco2021/>
17. N. McDougall, B. Wagner, J. MacBryde, *J. Bus. Res.* **144**, 1149-1162 (2022). <https://doi.org/10.1016/j.jbusres.2022.02.060>
18. Ministry of industry and trade of the Czech Republic. Operational Programme Enterprise and Innovations for Competitiveness 2014–2020 (2015). Accessed on: November 01, 2021. [Online]. Available: <https://www.mpo.cz/assets/dokumenty/54704/62511/648398/priloha002.pdf>
19. J.M. O'Keeffe, D. Gilmour, E. Simpson, *Energy Pol.* **97**, 582-590(2016). <https://doi.org/10.1016/j.enpol.2016.08.006>
20. O. Rodriguez-Espindola, A. Cuevas-Romo, S. Chowdhury, N. Díaz-Acevedo, P. Albores, S. Despoudi, S. Malesios, P. Dey, *Int. J. Prod. Econ.* **248**, 108495 (2022). <https://doi.org/10.1016/j.ijpe.2022.108495>
21. UNCTAD. MSMEs: Key to an inclusive and sustainable recovery. Micro-, Small and Medium-sized Enterprises Day (2021). Accessed on: November 01, 2021. [Online]. Available: https://unctad.org/system/files/information-document/diaeed_2021_06_28_en_concept_note_0.pdf