

Defining the Economic Role and Benefits of Micro, Small and Medium-sized Enterprises in the 21st Century with a Systematic Review of the Literature

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Abstract: There has been a lot of research and studies on the running of small businesses. The objective of this paper is to provide a comprehensive picture of the potential of the micro, small and medium-sized enterprise sector. In the analysis, the world of small businesses will be reviewed in the broadest possible sense and the focus will not only be placed on SMEs, but also on the MSME sector, which includes very small micro-enterprises. The study will seek to shed light on the potential benefits of this sector. It highlights the importance of the sector, as well. All this has been done earlier, but this paper goes beyond general statements. It explains why it is good to be a small company, why it can be beneficial to operate as a MSME and what the real impact of this sector could be on economic growth if the necessary support and the right business environment were provided. By now everyone knows that the MSME sector is one of the engines of growth. Everybody knows that this sector has very different characteristics from large companies. However, what is less understood is why the economy actually needs so many small companies and why they are really important. This paper attempts to briefly summarise why this sector should be considered as a strategic priority and what makes a small business really valuable for economic growth and competitiveness in the national economy.

Keywords: competitiveness; SMEs; economic growth; economic development

1 Introduction

Small and medium-sized enterprises have long been in the centre of research. Many researchers and scholars have addressed issues about why this sector should be given a priority. There have been many papers, books, articles, and other publications on the subject and most of them have come up with the same findings. Nobody questions the importance of the SME sector, yet we are not doing enough to support and develop these businesses. The situation of large companies is completely different and the smaller companies that make up

the MSME sector are experiencing change in a different way. The study deliberately uses the term MSME rather than SME (small and medium-sized enterprises) to refer to the sector. In this way, giving a sense of the presence in this entrepreneurial sector of very small enterprises, micro-enterprises are also intended, which are in many cases even more vulnerable and fragile than their significantly larger counterparts. However, regardless how small they may be, these businesses have just as much impact on the performance of the national economy, and this point can hardly be argued. It is not enough to talk only about SMEs, because the small business world also includes very small micro- firms. The study thus emphasises the economic importance of MSMEs and their impact on the economy.

1.1 Interpreting the MSME Sector and its Relationship with the Economy

Companies are an integral part of society because they not only exist, but they can also create value both for themselves on the one hand, and for the economy and society, on the other hand. [51] Entrepreneurship is important for the long-term survival of the economy as it helps maintain the competitiveness of the business through value creation. [76] National development levels and economic indicators are also related to productivity. However, productivity gains are based on the performance of companies doing business in a country [68] and have a fundamental impact on the competitiveness of the national economy. [79] [4] Despite the importance of this sector in the economy [61], there is no clearly agreed definition of the concept of MSME. [38]

We cannot create a competitive country without a competitive business. Large companies are not the only ones who can play a role in that. Strengthening economic growth and competitiveness requires a stable, development-oriented, innovative business sector [82]. The MSME sector is just as important as large companies in strengthening the country's competitiveness, as these are important requirements not only for large companies but also for MSMEs. This has already been confirmed by many studies [43], but many also confirm the role of MSMEs in the national economy. [13] [28]

To interpret the sector, the same size categories are used as in other EU countries. This category system defines the types of MSMEs based on the number of employees and total balance sheet turnover. Act XXXIV of 2004 (hereinafter referred to as the MSME Act) defines SMEs as an enterprise with less than 250 employees and annual net sales not exceeding 50 million forints or a balance sheet not exceeding 43 million HUF¹. However, the EU classification and MSEA Act

¹ the aggregated balance (amount) of assets and liabilities. Source: balance sheet (statement of assets and liabilities)

define more precise size classes based on the above criteria. Accordingly, we can discuss micro, small and medium enterprises.

Table 1
Size categories of the MSME sector

MSME classification	Number of people (persons)		Annual net turnover (in EUR)		Balance sheet total (in EUR)
<i>micro-enterprise</i>	<10	and	≤2.000.000	or	≤2.000.000
<i>small enterprise</i>	<50	and	≤10.000.000	or	≤10.000.000
<i>medium enterprise</i>	<250	and	≤50.000.000	or	≤43.000.000

Source: author's own editing based on www.ksh.hu [47]

These size categories give a fairly wide range for interpreting MSMEs. Perhaps for this reason, it is not surprising that 99.8% of the companies operating in the European Union are classified in the MSME group and only 0.2% are considered large companies. [71] [23] This percentage is found in most EU member states, and Hungary is no exception. The following data show the status of MSME in Hungary. The MSME sector accounts for 99.2% of all active enterprises, while micro enterprises account for the largest proportion in the sector. With 94% of the MSME sector being micro enterprises, 5% being small businesses and 1% being SMEs, this sector is primarily about micro enterprises. It should also be pointed out that the shares of the various types of companies within the MSME sector have not changed significantly. Micro enterprises have been stable for the last few years.

The public transport sector is not only an important economic factor in terms of numbers. Its role in the economy can be assessed using a range of macroeconomic, financial, quality of life and sustainability indicators. Whichever indicator we look at, they all confirm the importance of the sector. The sector's contribution to GDP or employment is the main highlighted indicator. [6] The sector accounts for about half of the gross domestic product, which has not changed significantly over the past decade. Small businesses play a significant role in employment [60], employing nearly two-thirds of the workforce. [47]

The role of small businesses can also be examined in terms of their share of total business turnover, their contribution to investment and their ability to produce (supply) for export markets. In the latter, large companies perform better because they generate higher turnover, are more export-oriented and more willing to invest (70% of investments are made by larger companies while the MSME sector alone generates 40% of the turnover available on the market).

However, the role of the public transport sector is undeniable, and it is also clear that the public transport sector is one of the engines of economic growth. For example, its employees contribute significantly to the budget through purchases and related tax payments. It should be emphasized that they are important not only for economic growth, but also for improving the quality of life [32]. In more developed

countries, priority is also given to the sector, the development of entrepreneurial skills and abilities, and that of entrepreneurship and self-employment, which contribute to the development of rural areas and the fight against poverty [3]. Enterprise development is not only about creating a suitable business environment for them. Enterprise development should be an important process for all enterprises. [55] Entrepreneurship should be improved, strengthened, developed and understood as an engine of growth. [74] Small business managers can also quickly identify areas where they need to acquire the right skills or knowledge. Intellectual capital is important not only for employees, but also for entrepreneurs. In this regard, managers play an important role in shaping business goals and decision-making. [8] There is also a very important link between managerial competences and performance. [20]

Some developed countries emphasize the importance of a supportive business environment². A review of the results of the competitiveness report (IMD³, WEF⁴) shows that the most developed and most competitive countries are working hard to provide suitable conditions for their companies. They do this by providing a predictable business environment, reducing red tape and corruption, working to promote innovation, and providing sufficient funding. IMD and WEF have thoroughly studied the determinants of the business environment, and both competitiveness research organizations believe that without a supportive business environment, these businesses cannot be truly enabled. [40] [80]

1.2 The Choice between Large and Small Firms: Which is Better?

A competitive MSME sector does not come into being by itself⁵. It requires circumstances and conditions that have a multiplier effect on the competitiveness of the sector and enhance its position.[50] A dynamic, innovative and competitive entrepreneurship sector is a prerequisite for the long-term economic and social competitiveness of a country. The potential of the MSME sector is no less than that of large companies. However, for some reason, there seems to be a belief that large institutions can do more because they have more capital, a greater presence in the market and more connections. [18] At the same time, a smaller enterprise can achieve significant business success as according to the principle of “many small businesses make a difference” because over time, the entire economic structure can undergo a competitive transformation, for example by improving its innovation capacity and increasing its new added value locally if an increasing number of small

² such as the Nordic countries or Germany

³ IMD (Institute for Management and Development). Competitiveness studies. (World Competitiveness Yearbook)

⁴ WEF (World Economic Forum) Competitiveness Studies. (Global Competitiveness Report)

⁵ for example, stimulus policies are also necessary

businesses enhance their competitiveness. However, this is not the only reason why small and medium-sized enterprises (MSMEs) need to be more competitive. There are also social reasons why these businesses need to be long-term viable and stable, develop and be able to participate in global markets. MSME companies can flexibly adapt to change [12], carry out important innovative activities, expand consumption and employment opportunities, and do more for a more sustainable and healthier future and its immediate environment. In particular, this sector needs to pay more attention to understanding youth preferences in terms of employment and location. [25] In particular, high-value family businesses have great potential in this regard. Most jobs are created by young companies and start-ups. MSMEs have the potential for rapid growth as they can be more flexible and innovative than most large companies. [16] This can be further enhanced by an open business model. Mettler pointed out that these companies rely the most on highly skilled labour because this may be the main source of competitive advantage for small businesses. He also emphasized that SMEs can be an international company and should be able to take advantage of the Internet and information technology. [56]

If these companies have sufficient innovation capabilities, apply modern technology, and can accumulate and effectively use knowledge capital, they can even cooperate with large companies. [54] However, they must have a modern business model, not lagging behind in technology, management or other innovations. [26] Innovation can be seen as a critical key to growth. [36] [42] In these days and age, technology also provides many opportunities for companies. [71] Only in this way can they develop a win-win business relationship with large companies. It should be mentioned that there is also a strong correlation between knowledge capital and organizational performance, so the MSME sector should also tackle the proper management and exploitation of knowledge. [49] [30] Applying knowledge in well-known fields can increase productivity. [27] In the long run, the performance of the MSME sector depends more on knowledge capital than on the existing level of social relations, although the latter can also play a role in enhancing competitiveness. [69] In addition, the domestic MSME sector needs to be at the forefront of small-scale and large-scale improvements and investments. The latter is, of course, risky but without targeted and rational investment there is little scope for efficiency improvement [77], so it also needs asset replacement and maintenance, without which the costs of doing business will only increase. [58]

Statistics show that the MSME sector in both Europe and Hungary, for example, is less productive and growing than the MSME in the US economy⁶. On the other hand, in our country no sufficient attention has been paid to the proper development of entrepreneurial and management skills in education. Both primary and secondary education should focus on areas such as entrepreneurial skills, legal basics and financial awareness. The latter is important not only for entrepreneurship, but also

⁶ data source: KSH (Central Statistical Office) (2018): Characteristics of small and medium-sized enterprises

for our daily lives. For the competitive MSME sector, financial literacy and networking capabilities need to be emphasized, and the sector needs to be very good at this. [37] The financial awareness of MSMEs can increase their access to finance by getting information quickly and efficiently. [7] For the past few years, the financial viability of a company has been a major issue, according to the well-known competitiveness research institutes (WEF, IMD). This issue was not solely due to the lack of widespread access to financial and capital market products for small businesses. It was also caused by the fact that entrepreneurs could not easily find financial resources to ensure the smooth continuation of their activities. However, this is not just because banks are reluctant to lend to this sector. Entrepreneurs also need to learn more about the range of available resources, the possibility of project applications, new types of financing, and most importantly, how and where to learn more. Access to information is particularly important for companies because there is a positive correlation between the use of information and the performance of MSMEs. [52] Exploring funding sources is also part of entrepreneurship, but it requires a certain level of financial knowledge. A previous study by the World Economic Forum emphasized that financial institutions are missing out on opportunities in this regard because SMEs form a huge base for potential borrowers. [81]

It should also be emphasized that, compared with countries such as the United States or Germany, young people in Hungary are still not open enough to become entrepreneurs or self-employed. In an EU comparison, compared with peers in other EU countries, fewer young people want to start their own businesses⁷. Part of the society thinks that entrepreneurship is too risky and does not think it is a stable way of earning a living. In some cases, the term "entrepreneurship" has been associated with "cunning" and "loopholes." In many cases, the media portrays entrepreneurs in a negative light. This is not conducive to wider acceptance of entrepreneurship. These negative stereotypes need to be eliminated first, so that entrepreneurs are not seen as cunning or corrupt, but as renowned and valuable contributors to society.

Entrepreneurship education in higher education should also be promoted. More than half of young people in higher education (63% of 37,000 respondents) would like to work in a large company because they see a more secure career, position and living conditions in large companies⁸. Young people need to realize that SMEs can also offer great career paths, and that there is room for progress in start-ups and fast-growing businesses, especially if they are in a dynamic growth path. [29] According to the above survey, only 28% of respondents said they would like to work in a start-up. The results clearly show that young people are still aware of the potential for personal and professional development in large corporations, and that the SME sector is at a disadvantage in this regard. Higher education and media responsibilities in this regard need to be emphasized. If education and the media

⁷ data source: the Hungarian Central Statistical Office (KSH)

⁸ a survey of 37,000 young people by Market and Profit

continue to spread the idea that truly great careers and career paths are only possible in large companies, there will be no meaningful change in this area in the long run. It must also show why it is worth starting your own business, what opportunities young people have as entrepreneurs, and how to make entrepreneurship more attractive to the younger generation. It could also help make the business environment for small businesses more friendly, predictable, and less bureaucratic. Research into becoming an entrepreneur is especially important for investigating and identifying differences between generations [35]. It can also be raised that SMEs have low social credibility and therefore often lack proper partnerships and collaborations in the economy. This is confirmed by the competitiveness reports of international competitiveness research institutes (WEF, IMD). Social capital is the mutual benefit of economic agents resulting from cooperation, collaboration and projects. [39] Certainly more emphasis should be placed on strengthening this, but companies themselves can more consciously look for opportunities for cooperation that could bring mutual benefits for all parties involved. The strengthening of SMEs is also a priority in the European Union and the (M)SME strategy has already been published in Hungary⁹. Countries are using a variety of instruments to empower the small business sector. These include reducing administrative burdens, fighting corruption and making it easier to set up a business.

2 Analysis of the MSME Sector

It is possible to start a business in a short period of time, but the big question is how to run a business with long-term success and profit. It is not just the administrative burden that can hinder SMEs. They need help with access to finance, need to be more entrepreneurial, and especially need better access to tendering opportunities. Like many developed countries such as Austria and the United States, this should be supported by a wide range of free advice from the government. While it is possible to set up a business in a short time, a big question is how to run it successfully and profitably in the longer term. It is not just administrative burdens that can hinder small businesses. They need help in accessing finance, they need to be more entrepreneurial, and they particularly need better access to tendering opportunities. As in many developed countries, such as Austria and the US, this should be supported by a wider range of free advice from government. The European Union has identified essentially the same important areas for the development of the SME sector: competitiveness by promoting initiatives, improving business cooperation, promoting R & D and innovation, and access to continuing learning opportunities. Progress in these areas is assessed annually by the EU of each

⁹ Ministry of Innovation and Technology (2019): Strategy for Strengthening Hungarian Enterprises 2019-2030

member state. An important step has also been taken in formulating the principles of "Think Small First," [22]. This creates a business

friendly environment by advising that any public rule change should be assessed by national policy makers for its impact on small businesses before it is introduced. The Small Business Act for Europe (SBA) called for a breakthrough to foster entrepreneurship, make entrepreneurship more attractive, promote self-employment and create better business and social conditions for businesses¹⁰. These include improving access to finance for the sector. In an earlier study, the Boston Consulting Group showed¹¹ that it could be much more profitable for commercial banks to finance the business sector than the retail sector, yet domestic and international banks have based their operations on retail banking.

[14] This is currently changing as more and more commercial banks are recognizing the potential of the MSME sector. However, sector development is not only important in the financial field. The European Union's new Multi-Annual Financial Framework (MFF) from 2021 to 2027 also assigns an important role to the MSME sector. Some innovations have not been included in the development policy of this sector in the past. Financing and funding continue to be a priority area, as without adequate financial resources, no major successes can be achieved.

At the same time, rapid environmental changes are creating new challenges, especially in the areas of digitalization and the circular economy, offering significant innovation opportunities for businesses and, of course, MSMEs. In this context, this programme aims to help the MSME sector make the digital and green transition. It will support investments that also contribute primarily to green objectives. These include the achievement of a fully climate-neutral economy by 2050 ("Green Europe"), which will also ensure the consumption potential of future generations. This green approach is far from the wasteful, inefficient use of resources, pollution and air pollution, and seeks to tackle the harmful effects of global warming. It is not difficult to see that the business sector, whether large or small, can expect a significant improvement in competitiveness if it is smartly integrated into these new trends. Business can do a lot to make these green goals a reality and the MSME sector has a role to play in this.

It holds true that special attention must be paid to the financing needs of the sector, however, at the same time, we must not forget about the soft factors. A primary element of this is the development of an entrepreneurial culture. It is not just about better entrepreneurs but also about creating a business environment in which many new businesses can be established, and which helps young people to realise their ideas and visions. Becoming an entrepreneur should be as "fashionable" as, for example, getting a middle or senior management job in a large multinational

¹⁰ <https://ec.europa.eu/growth/tools-databases/sme-best-practices/SBA/index.cfm?fuseaction=welcome.detail>

¹¹ https://image-src.bcg.com/Images/FIBAC-Report-2018_tcm21-200775.pdf

company. It should help ideas to be implemented and brought to market. Help everyone to realise the potential of owning their own business, even if it seems risky to start or run a business. It is also important for national competitiveness that the economy is characterised by dynamic change and continuous innovation. In characterising the SME sector, several advantages over large companies can be highlighted [75]. The size of a small company means that it can adapt much more quickly to environmental changes. Large companies often face bureaucratic and administrative obstacles when they want to implement a change. This is because there are usually many levels of management and decision-making in a large company, which makes decision-making and implementation more difficult and slower. In a large company, there are many more people to get on board with the change. In a smaller company, this can be much easier and require less time and effort. For large companies, organisational bureaucracy is a slowing factor, even if the organisation has previously tried to build a more flexible decision-making mechanism. A large company is much slower to put anything into practice, as it takes more time to inform, involve, prepare, and document. In short, larger organisations need to mobilise more at once to successfully implement change. The same process for a smaller company, where the organisation is less tied, can be faster, the company can change direction, expand its profile or change its business, and it can be able to implement a new management or strategic decision more quickly. [66] It should also be mentioned that strategic planning can be essential for MSMEs, which can contribute to improving the economic performance of these firms.

The advantages of small businesses are speed, agility and flexibility. They may be able to change their organization in less time. Start-ups and young companies can change even faster. A feature of start-ups and gazelle is that they can "leap" in a short amount of time, which large companies cannot do at the same time. This leap is reflected in the expansion of the market and the growth of profits. Flexibility, speed, variability and innovation are important competitive factors for SMEs. Adapting to change is a strategy for business success [57]. Today, teleworking, artificial intelligence, IoT¹², mobile apps and social media have contributed to making SMEs more agile. [17] [48] For companies today, being able to meet their customers and clients can also be a business success.[63] To achieve this, there is a need to build more intensively on human and customer relationships, with a greater emphasis on human-centricity at all levels. It is precisely this that can be one of the biggest weapons of the MSME sector, that they can be closer to the people, closer to the customers than larger companies. The managers of a small business can know the employees much better, as they work together in a much smaller organisation. To innovate you need thoughtful, value-creating, creative and collaborative employees, people who are willing to contribute the best of their skills to the running of the business. For this reason, entrepreneurs need to build on their people and

¹² IoT: Internet of things: the smart world

create an environment in which they can deliver the best results. Moreover, as we are talking about a smaller organisation in the case of an MSME, there is also a better chance to get to know your employees better. This can allow the company to implement the best management practices that suit the employees. Another advantage of MSMEs is that they can identify more quickly if an employee needs competence development. As mentioned above, one of the biggest competitive advantages of MSMEs can be continuous learning, transforming the company into a learning organisation, but beyond that they must also constantly strive to gain further competitive advantages. [9] MSMEs can be close to local markets and needs. They may also be able to meet consumer needs that large companies cannot or will not. The 'bring the economy home' principle means that efforts should be made to meet consumer needs locally, through the activities of local producers and service providers, thereby reducing the environmental pressures of global supply chains and improving the chances of sustainability.

Localization is also a solution to major ecological problems of production and consumption. If local needs can be met, the need for transportation, logistics networks, sales and distribution channels will be reduced. This is because the international movement of goods and raw materials creates an environmental burden and greatly contributes to global warming and the expansion of the ecological footprint. Local and family-owned businesses can also play an important role in addressing environmental issues due to their inherently low ecological pressure on the planet.

However, this is not the only reason why the localized market and the public transportation sector are important. These companies have a better understanding of local habits, needs, consumer culture and people visiting the local market. This is also an advantage of sustainability. Large companies invest a lot of resources, money, time and energy in market research and data processing. But usually this does not provide a sufficiently credible and accurate picture of consumer expectations. This is also because international companies often misunderstand market information. This is due to the lack of investigation or analysis of the factors that have the most market (consumer) characteristics. These include, for example, cultural factors, which are often not sufficiently explored. Thus, the market research results obtained can be misleading. However, a small local business may have a better understanding of local markets (as it lives and operates in them), especially if it is a company with a long history of operation. Therefore, all the costs of market research can be saved by a business that is embedded in the local context. Local enterprises are, of course, not only manufacturing companies in the classical sense, but also local crafts, craft workshops, family or garage businesses, one-man firms and sole proprietorships. Although these are the smallest players in the economy, their numbers mean that they offer a great deal of potential. They can mean innovation, the emergence of new things, the possibility of rapid change, sustainability.

MSMEs can also play an important role in addressing regional disparities. Large companies are often regionally concentrated, with production and activities concentrated in specific regions or cities. The right business environment should be created to attract more businesses that can provide good jobs for local people. These firms can not only develop themselves but can also have a positive impact on their immediate environment. Where there are no jobs, people move away, and villages become depopulated. This ultimately hinders the development of the country as a whole and causes social tensions. While social harmony, a strong and cohesive society is itself a factor of competitiveness and crisis resistance. The MSME sector needs to learn how to be more resilient to crises and a smaller firm can adapt faster, change direction more quickly even when faced with a crisis phenomenon. [19] [11] In the post-crisis era, the creation of new businesses was also seen as an important economic factor, as these entities play a crucial role in real GDP growth and especially in job creation. In times of crisis, it is the new jobs that would be most needed. [44] Small firms can therefore also be an important crisis management tool, as they are the most likely to absorb labour if they can continue to grow and have the necessary resilience.¹³

The advantages of small businesses include not only organizational advantages, but also management advantages. Because they are small or tiny, their management methods are different from those of large companies. Managers can try new methods more frequently because the time and risk involved in making changes is lower than in large companies. If something does not work, you can choose to quickly revert to the previous solution or let the company test and try something completely new. Of course, innovation and seeking new things are also the characteristics of large companies. However, large companies still need to "leave more stones unturned" to introduce an innovation. Companies in the MSME sector could therefore be organisations of experimentation and continuous innovation. Rapid changes of direction, the constant search for new things, trying out and experimenting with new things could also contribute to the dynamism and continuous renewal of the whole economy. However, the implementation of innovation should not only be reflected in management methods or strategies. With the right will to grow, the capacity to innovate and people-centred leadership, the MSME sector can significantly strengthen the competitiveness of the national economy. Innovation is a factor that small firms can use to make a fundamental contribution to the growth of GDP and the national economy, not to mention their own results. [2] For MSMEs, innovation usually refers to new products or processes that enable them to meet customer needs more competitively and profitably than before. [59] The main driver of innovation practices of firms is the desire to realise higher returns by achieving better performance. Innovation is, therefore, defined as changes in a company's practices that are designed to improve performance. [24]

¹³ resilience: crisis resilience, flexibility, resilience

There are many things that the micro, small and medium enterprise sector can do to strengthen social capital. If the level of confidence in the economy is appropriate, it can make a significant contribution to innovation success and competitiveness. MSMEs can also become part of various loose networks, alliances, and collaborations. [70] However, weak collaboration is also a problem because it affects the scale and level of innovation. [72] [83] Cooperation can make innovation more efficient, enabling joint development and brainstorming. [64] Enterprises in the small, medium and micro enterprise sector can cooperate with higher education institutions, social and civil society participants. It would also be beneficial to develop such cooperation with foreign partners. The European Union's Erasmus+ programme no longer provides mobility opportunities exclusively for students and learners, but also for entrepreneurs. It does this to provide opportunities to acquire new professional skills and competences and to build contacts abroad.

3 Results and Conclusions of the Analysis

Based on the numerous literature sources and research reviewed, it can be argued that the MSME sector is indeed a key engine of economic growth. Nor can there be any disagreement with the works that depict the sector as a key to the development of the national economy. The analysis has confirmed what has already been known, but it has also made the role of these businesses even more important. The analysis has reviewed why the MSME sector should be given much higher priority in national economic policies and strategies. To sum up, the following key areas of importance for the sector can be highlighted (expressed in D points, each of which could open a development path for the economy):

D1) a dynamically developing and competitive MSME sector can make a greater contribution to strengthening the national economy and increasing its innovativeness. D2) a more competitive MSME sector can improve knowledge-based exports. D3) a developing and competitive small business sector could further expand employment, not only in quantity but also in quality, through firm growth. D4) through their development, small businesses can also promote the development and learning of individuals, offering quality jobs and choice to job seekers. D5) a more competitive MSME sector can be a more active player in the country's innovation system. D6) a more competitive MSME sector is better able to develop partnerships with national and international companies and to participate in international projects. D7) a more competitive MSME sector would be better able to take advantage of the EU common market. However, this requires openness, awareness and greater entrepreneurship, not neglecting good management skills and language skills. The latter also need to be improved if the sector is to truly exploit the potential of the single market. D8) it is particularly important that local small businesses can also help lagging regions to catch up economically. Local businesses can contribute to the catching-up of their immediate environment and the

preservation of environmental assets and can strengthen local communities. D9) the MSME sector can do much to promote sustainability and achieve green goals. D10) a more successful and profitable MSME sector can generate important tax revenues for the central budget. The financing of growth-oriented firms could allow room for new financial innovations and a broader lending policy. D11) a more competitive MSME sector could do much to improve the country's image. D12) a more open and cooperative MSME sector could help to build social capital and confidence.

It is true that that the points above would be important to development, but we cannot expect them to change until the sector itself must be helped, as well. The competitiveness of a nation is also determined by the competitiveness of a company, and vice versa. Without the right environment and support conditions, it will be more difficult for businesses to achieve results. Therefore, it is important to give the MSME sector strategic priorities.

Summary

A good MSME sector is essential to creating a solid industrial sector in the economy. For continued and sustainable economic growth, we need a well-functioning MSME sector. [65] This study highlights the important role that the MSME sector can play in promoting economic and social development, achieving sustainability goals, and generally improving competitiveness. It is said that this idea is especially important for adapting to new post-pandemic economic conditions, innovation, rapid change, and finding appropriate solutions to new needs for new skills. The rise of the US economy after World War II tells us a lot about the strength and role of MSMEs. From 1945 until the iconic day of September 11, 2001, the United States was considered a leading country in the world economy. This period was successful for the US economy not only because it was one of the victorious powers in the world war and did not suffer significant territorial damage as a result of the world war. The prosperity in the US economy was fuelled by many fast-growing businesses that had not even existed a few years earlier. Within a few years, garage firms and family businesses had grown into medium-sized and then large companies that made a significant contribution to the strengthening of US leadership. It is not by chance that the country has been called "the land of opportunity". Everyone had the opportunity to freely start their own business and create a company they dreamt of. And if the first venture fails, you can start again, try, create, and innovate. A similar example can be found in the German economy, where many innovative medium sized enterprises were established, resulting not only in employment but also in market power and export potential. [73] It is very important not to attribute the situation of the sector solely to external factors. The will and ambition of the individual (entrepreneur) are equally important to business success, so the entrepreneurs themselves must also want to develop and achieve better results. [46] [5] Of course, an enterprise-friendly economic and development policy would be as important a condition as an enterprise-friendly business environment. Without them, the opportunity for the industry to flourish will be reduced. We are again in a special situation. The global economy is

characterized by large and rapid changes, uncertainty and increasingly complex conditions. Therefore, it is worth paying attention to the micro, small and medium enterprise sector and its renewal potential. If the sector were indeed given more attention and adequate support, it would be better equipped to face future crises.

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