

THE SUPPORT OF DEVELOPMENT OF INVESTMENT RELATIONS IN THE SLOVAK REPUBLIC

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Stručni članak

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Abstract

Foreign investments have the wide impact not only on the economy but also on the whole sphere of the society and they influence its development in all areas. Every country tries to look for and attract direct foreign investors. The state policy of every country is the key factor in attracting foreign investments and it plays the crucial role in deciding of investors about placing their investment. Many states use different institutions and foreign incentives which they try to make and promote their country with and consequently gain foreign investors. Slovak government supports domestic and foreign investments, as well. Foreign investments that perform in Slovakia have the positive effect on the economic growth and at the same time on the development of life-standard of the state as a whole.

Keywords: *foreign direct investment, investment attractiveness of Slovakia, foreign investors.*

JEL Classification: *E22, F63, G38.*

INTRODUCTION

Many states use different investment incentives by means of which they try to make their country more attractive, to promote it and to gain foreign investors. Direct foreign investments play the significant role mainly within the framework of global economy. Foreign investments have the wide impact not only on economy but also on the whole sphere of society and they influence its whole development in all areas. Every country tries to find and attract direct foreign investors. Main motivation factors for the entry of foreign investments are mainly economic conditions, political stability, investment incentives, qualified and cheap workforce and educational level of population. Moreover, Slovakia tries to attract investors into the country, while persuading investors about useful investments to Slovakia.

1. FOREIGN INVESTMENTS IN SLOVAKIA

The table shows the portfolio of foreign investments (clear, BoP, current USD) in Slovakia for the period of 2016 – 2022.

Year	Millions (USD)
2016	4,393,223,325.4
2017	986,411,551.6
2018	4,404,240,339.1
2019	355,722,554.7
2020	3,249,825,777.3
2021	5,866,361,181.0
2022	1,874,566,606.1

Source: Processed according to the data: The World bank [online]. (2023). Available on:
https://data.worldbank.org/indicator/BN.KLT.PTXL.CD?locations=SK&name_desc=false

Direct foreign investments in Slovakia lead mainly to production (36 %), finance and insurance (25 %), wholesale and retail (9 %), real estate (7 %), administration and support services (7%), information and communication technologies (6 %).

Institutional support of investment cooperation of Slovakia

State policy of every country is a key factor in attracting foreign investments and it plays the essential role in deciding of investors about placing their investment. The Ministry of Foreign and European affairs of Slovakia supports by its activities the development of cooperation in various fields and it contributes by its activities mainly to the improvement of the economy of Slovakia. The Ministry of Economy of Slovakia also within the framework of its performance contributes to the development of economic relations.

The plans of the Ministry of Economy of Slovakia for the next years

There are various courageous aims and tasks that the Ministry of Economy of Slovakia must fulfil according to Government's Programme Announcement (GPA). The Ministry of Economy of Slovakia has the ambition to fulfil all of them. Mainly following activities should contribute to the improvement of entrepreneurial environment:

1. To realize measures for the repeated take-off of convergency.
2. To participate and actively submit proposals for the improvement of legislative influencing entrepreneurial environment (tax system, labour law etc.).

3. To propose travelling map on how to reach the improvement of Slovakia in ranking and to determine preferred areas. To add indices of economic freedom among monitored rankings. To reach the improvement of the score of Slovakia in the most popular rankings.
4. To support implementation of Slovak companies to sub-supplier's chains.
5. To participate on the preparation of legislative proposal for the implementation of the universal free trade.
6. To propose the simplified types for entrepreneurship of pupils and students, which could be possible to use in supporting entrepreneurial education and practice within the framework of Euro funds.
7. To realize measures for the support of family entrepreneurship and to adopt necessary steps with the aim to create the positive entrepreneurial environment for family entrepreneurship, mainly for so-called generation change, or employing the family members.
8. To participate in the preparation of the Smart specialization Strategy (RIS3) for the Programme period of 2021 – 2027, that is going to bring not only detailed survey of the relevant aspects of the development of economy, but it is also going to determine the main areas of the competitive advantage and tools of support.
9. To realize the audit of fee deduction of entrepreneurship.
10. To realize the audit of announcements and statements in terms of GPA. To re-evaluate especially the required data and the system of collection of statistical data about entrepreneurship.
11. To work out the Consumer Protection draft Act, that has its aim to modernize and make the legislation more transparent, to remove duplicities and unclarities, as the new act should take in the provisions from three current regulations and to transpose some consumer directives and regulations.
12. To work out the draft on General Product Safety that has its aim to modernize and make the legislative more transparent, to remove duplicities and unclarities, as the new act should take in the provisions from two current regulations.
13. To work out the analysis of suitability and adequacy of Act on Advertising, mainly considering the advertising focused on the groups like children, juveniles and seniors. To propose the specific solutions in terms of GPA.
14. To work out the proposal for the amendment to the Act on travel, as it is the extensive directive with the aim to realize the detailed and complex consultations with all involved subjects and a possible revision of the mentioned Act (The Ministry of Economy of Slovakia 2024).

2. AGENCIES FOR THE SUPPORT OF DIRECT FOREIGN INVESTMENTS

Various institutions in Slovakia support the development of investment and trade relations. Those are different subjects, better conditions for foreign investors are created by means of their tools. The Slovak Government in its legislative framework supports either domestic or foreign

investments, which carry with themselves the new technology, big added value and are aimed exclusively to economically little developed regions with higher unemployment rate of population.

The Slovak Government established for the support of the inflow of direct foreign investments:

- Slovak Investment and Trade Development Agency
- Slovak Chamber of Commerce and industry
- Export-import Bank

Slovak Investment and Trade Development Agency (Sitda 2024)

Slovak Investment and Trade Development Agency (SITDA) is a state agency of Slovakia, and it reports to the Ministry of Economy of Slovakia. The mission of SITDA is to accelerate investment, export and innovative potential of Slovakia with the aim to create from the country the technological centre attractive for foreign investors, experts and potential business partners. It also focuses on the development of export potential in the globally competitive fields and territories, to support expansions of established companies, foreign investments, to increase employment rate in the sectors with the high added value and in all regions in accordance with the strategy and economic policy of the Government of Slovakia.

Slovak Chamber of Commerce and Industry

Slovak Chamber of Commerce and Industry was established according to the Act no. 3/1991 collection of laws on o commercial and industrial chambers as amended later. The chamber has its main office in Bratislava. At the same time, it has set up also regional offices in different cities in Slovakia. The chamber develops its performance within the support and protection of entrepreneurship of its members in Slovakia and abroad. Slovak Chamber of Commerce and Industry cooperates with other chambers of different states (Slovak Chamber of Commerce and Industry 2024).

Export-Import Bank

Export-Import Bank of Slovakia was established according to the Act no. 80/1997. of Collection of laws on Export-Import Bank as amended later. Its main office is in Bratislava. The bank supports also the import of technologies, that serve for the following export of production on the higher qualitative level. Slovak Export-Import Bank offers a wide range of bank and insurance products and it also provides the possibility of their combination which the majority of clients also uses (Export-Import Banka of Slovakia 2024).

3. THE NUMBER OF REGISTERED COMPANIES IN SLOVAKIA

Slovakia is economically developed country with rather favourable entrepreneurial environment, that has many exceptional characteristics and offers a different combination of investment opportunities that makes it an ideal investment location. The main characteristics for the successful realization of investment plans in Slovakia are: macroeconomic stability, qualified and productive workforce, advantageous geographical location in the centre of Europe or the membership in Euro area.

It is predicted that in years 2023 – 2028 the number of newly registered companies in Slovakia is going to increase continually and it is estimated that the number is going to reach 24,520 companies in 2028.

Table 2: The number of newly registered companies in Slovakia

	<i>The number of newly established companies</i>
2013	26, 750
2014	12, 880
2015	12, 450
2016	18, 070
2017	19, 810
2018	19, 720
2019	20, 570
2020	18, 970
2021	20, 320
2022	20, 960
2023	21, 590
2024	22, 200
2025	22, 800
2026	23, 380
2027	23, 960
2028	24, 520

Source: own processing according to the data: Statista [online]. (2023). Available on:
<https://www.statista.com/forecasts/1156371/new-business-registration-forecast-in-slovakia>

Globalization is the process that requires cooperation of commercial businesses mainly from the reason of decreasing costs and risks. The conditions of establishing companies in Slovakia reach the standards and they are continually becoming equal to the standards of other member states of the European Union.

4. CONCLUSION

The arrival of foreign investors to Slovakia is connected to new work and entrepreneurial opportunities. The membership of Slovakia in the European Union and in other international organizations as well as the supports that Slovakia stimulates, represent big advantages for investors. Foreign investments have wide impact not only on economy but also on the whole sphere of society and they influence its whole development in all areas in Slovakia.

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