



DISCLAIMER: Please note that SME Fact Sheets are not standalone instruments, do not constitute a comprehensive assessment of Member States' policies and should be regarded as a supplement to, and not a substitute for, available national publications. **Please refer to the methodological note before reading this SME Fact Sheet.**

1. SMEs in Cyprus – a brief fact check:

There are almost 52 SMEs per 1000 inhabitants in Cyprus, which is far above the EU-27 average of ca 40. This tendency is also reflected in the proportion of SMEs (in particular micro enterprises), as compared to all enterprises. In terms of SME employment, Cypriot SMEs (especially micro enterprises), contribute far more to total employment than the EU average and they also create more added value.

| | Number of enterprises | | | Number of persons employed | | | Value added (MEUR) | | |
|-------------|-----------------------|--------------|---------------|----------------------------|--------------|---------------|--------------------|--------------|---------------|
| | Value | % | EU-26 average | Value | % | EU-24 average | Value | % | EU-26 average |
| Micro | 36.248 | 92,3% | 91,8% | 75.051 | 39,3% | 29,6% | 1.691 | 29,9% | 21,1% |
| Small | 2.584 | 6,6% | 6,9% | 48.347 | 25,3% | 20,6% | 1.467 | 25,9% | 19,0% |
| Medium | 393 | 1,0% | 1,1% | 36.451 | 19,1% | 16,8% | 1.249 | 22,1% | 17,8% |
| SMEs | 39.225 | 99,9% | 99,8% | 159.849 | 83,7% | 67,1% | 4.407 | 77,8% | 57,9% |
| Large | 54 | 0,1% | 0,2% | 31.187 | 16,3% | 32,9% | 1.255 | 22,2% | 42,1% |

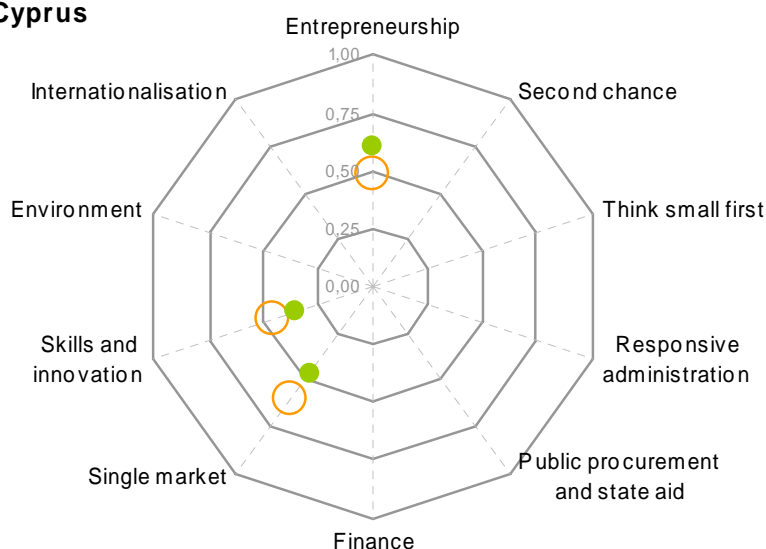
Source: Eurostat SBS data base, 2004 and 2005 data.

2. Cyprus' SBA profile¹

The SBA policy radar for Cyprus show results that suggest room for improvement in some areas: however, there are only three SBA sections with sufficient data for averages to be calculated and therefore it is necessary to be cautious when drawing conclusions. Cyprus is above the EU average in the "Entrepreneurship" section, but its figures lag behind the average in the other two areas ("Single market" and "Skills and innovation"). For the remaining sections, results are rather mixed.

○ EU average

● Cyprus



Source: European Commission, DG Enterprise

¹ It should be noted that the different dimensions of the radar correspond to the set of 10 principles foreseen in the European Commission's Small Business Act.



I. Entrepreneurship: Cyprus is outperforming the EU average for most indicators in this area. Cypriots are engaged in entrepreneurial activities to a far higher degree than the average EU citizen. The percentage having started a business which is still active, or currently taking steps to start one, amounts to 32% in Cyprus whereas the EU average is only 23%. Cypriots are also above the EU average in terms of the willingness to become an entrepreneur (37% as compared to 30%).

II. Second chance: For the single available indicator for this section – degree of support for allowing a second chance, the Cypriot performance is far above the EU average with 90% expressing such support, as compared to the EU average of ca 80%.

III. Think small first: For this section there are two available indicators - the degree of support among SMEs for current regulations and the time it takes to comply with administrative obligations – both of which outperform the EU average. The degree of support among Cypriot SMEs is 38% against the EU average of 29% and Cypriot entrepreneurs require substantially less time to comply with administrative obligations (2% instead of 8% of total working time).

IV. Responsive administration: There are two available indicators for this section (e-government availability and the share of social security costs out of total labour costs). For the first of them, the figures for Cyprus fall behind the EU average. However, in terms of social security costs the country is doing better than the average, with ca 12% as compared to 22%.

V. Public procurement and State aid: For the single available indicator for this section – proportion of total State aid devoted to SMEs - the results for Cyprus are above the EU average (18% as compared to 11%).

VI. Finance: Based on the three indicators available, the overall picture of this area places Cyprus within reach of the the EU average. On the one hand the interest rate spread between loans

up to and above EUR 1 million is actually smaller than the EU average (0,7% as compared to 0,81%), while on the other hand Cyprus is devoting a substantially smaller share of their Structural Funds and EAFRD allocation to business development than other Member States.

VII. Single market: The data for this section suggest that there is room for improvement in this area. The figures of all three indicators related to the implementation and transposition of EU directives linked to the Single Market are just at the same level or below the EU average. The Cypriot share of intra-EU exporting SMEs to all SMEs is considerably lower than the EU average (0,9% as compared to 2,9%).

VIII: Skills and innovation: Data available in this section places Cyprus below the average situation in the EU Member States. For example, the share of Cypriot companies purchasing or selling on-line is 12% and 6% respectively, compared to the EU average of 28% and 15%. On the other hand, Cyprus is actually far above the average in terms of the share of enterprises having introduced marketing innovation (almost 54% as compared to the EU average of ca 36%).

IX: Environment: Two of the three indicators available for this section suggest that Cypriot SMEs perform below the EU average. This result is particularly remarkable for the share of SMEs applying simple measures to save energy, where the Cypriot share is only about half that of the EU average (16% versus 29%).

X: Internationalisation: Cypriot SMEs trail the EU average in the field of internationalisation. Cyprus has a comparatively low share of SMEs gaining any income from subsidiaries and/or joint ventures abroad (1,3% as compared to 4,8%). The share of total turnover which results from exports is also much smaller in Cyprus than on EU average (2,4 % compared to 4,6 %). Annual expenditure on environmental protection is slightly below the EU-average (€811 vs €900).



Example for a good practice in SME policy

To illustrate the efforts of the Government to promote SMEs, the statistical information of the fact sheet is enriched by an example of a good practice in SME policy – as singled out in the European Commission's Communication on "Think small first – A Small Business Act for Europe":

Title of the Project: Loan to Small businesses with interest refund

The aim of the programme is to help small business grow and, at the same time, motivate their owners/directors to better manage their financial transactions and their cash flow.

Every 12 months starting from the account-opening day, the bank returns to the customer 10% of the interest paid during that period, by crediting his/ her loan account. The only provision is that the customer pays the monthly instalments regularly, without any delay. The offer continues throughout the loan's life, until full repayment. In order to safeguard the bank's profitability, the scheme applies only to loans with interest rate 2.25% above the basic interest rate.

For further information: www.bankofcyprus.com