

Subsidies, Innovation and Enterprise Financial Performance

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Enterprises can receive subsidies to invest in development projects. This paper investigates correlation between subsidies, innovation and enterprise business efficiency. Literature argues on mixed results between subsidies, innovation and enterprise financial performance.

The focus of the study is on EU subsidies in the financial period 2007–2013 for co-financing different innovation projects aimed at promoting innovation and production of new products. - The financial performance is investigated for 6189 enterprises and measured by eight financial indicators: revenue, net income, assets, capital, number of employees, value added per employee, return on equity and operating revenues to operating expenses. The second group of effects is measured by correlation between financial indicators and innovation in enterprises using data obtained with a questionnaire. The innovation was measured with four components: Policies on Innovation in the enterprises, Innovative products and markets, Awards to employees and career progression, and Intellectual property rights in enterprise. The paper employs a combination of enterprises' accounting data, data on subsidies and unique in-depth micro data obtained through a survey at the enterprise level. The results revealed a positive impact of subsidies on enterprise financial performance indicators, and only limited effect on innovation.

Keywords: subsidies, innovation, research and development, financial performance, small and medium enterprise