

OVERALL ASSESSMENT OF THE SITUATION OF SMEs IN ROMANIA IN THE FIRST SEMESTER OF 2009

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ABSTRACT

Each semester, the National Council of Small and Medium Sized Private Enterprises in Romania publishes the brochure „Evaluation of the situation of the Romanian SMEs sector and of the business environment”. The evaluation of the SMEs each semester is based on the calculation of the Entrepreneurial Index – this index is determined as a weighted average of three indexes: the Business Environment Index, the SMEs Index and the Entrepreneurs’ Assessments Index. This methodology for calculating the Entrepreneurial Index offers relevant information regarding the evolution of the business environment and especially regarding the evolution of the Romanian SMEs sector. The entrepreneurial index calculated for the first semester 2009 indicates a very unsatisfying evolution of the business environment and of the SMEs sector.

KEYWORDS: *SMEs, evaluation, business environment, entrepreneurial index*

Biannual assessment of the overall situation of SMEs is based on determining intreprenorial index - calculated as a weighted average between the index business, SME development index and the index reflecting the appreciation of entrepreneurs on their business situation.

I. The index of business - is based on evaluating a set of 13 indicators and statistics obtained by summing the scores for each indicator, the maximum value of this index is 100 points.

| No. | Name index | Maximum score | Minimum score | Actual score obtained | Observations |
|-----|-----------------------------|---------------|---------------|-----------------------|--|
| 1. | Real rate of GDP growth | 15 | -8 | -4 | Decreased by 7.6% over the first half of 2008 |
| 2. | Inflation rate | 10 | -10 | 4 | In the first half of 2009, the inflation rate was 3.14% |
| 3. | Unemployment rate | 7 | -7 | 5 | In the first half of 2009, the unemployment rate was 5.55% |
| 4. | Average monthly net earning | 6 | -6 | 4 | Grew by 12.6% over the first half of 2008 |

| No. | Name index | Maximum score | Minimum score | Actual score obtained | Observations |
|-----|--|---------------|---------------|-----------------------|---|
| 5. | Taxation on labor dynamics | 7 | -6 | 2 | Decreased by 0.25% compared with first half 2008 |
| 6. | Dynamics corporation tax | 6 | -7 | 0 | Remained constant - 16% |
| 7. | Dynamic dividend tax | 6 | -7 | 0 | Remained constant - 10% or 16% |
| 8. | Dynamic number of taxes, fees, etc. | 6 | -6 | 6 | Number of taxes paid to the state budget was reduced significantly |
| 9. | Exchange rate stability | 10 | -9 | -9 | The national currency depreciated by 15.21% compared to Euro, to the first half of 2008 |
| 10. | The coverage of imports by exports | 6 | -5 | 0 | In the first half of 2009, the average degree of recovery was 75.75% |
| 11. | Interest rate relative to inflation rate | 7 | -7 | 0 | In the first half of 2009, average interest rate was 9.79% |
| 12. | Dynamic size of foreign direct investment in Romania | 7 | -3 | -3 | Investments decreased by 42.99% from the first half of 2008 |
| 13. | Country risk | 7 | -6 | 5 | Country risk is A4-, according to Coface |
| 14. | TOTAL | 100 | -87 | 10 | |

Key corresponding to this index score:

| The index of business | Rate |
|-----------------------|---------------------|
| -87 – 0 points | Very unsatisfactory |
| 0 – 25 points | Unsatisfactory |
| 25 – 50 points | Satisfactory |
| 50 – 70 points | Good |
| Over 70 points | Very good |

By summing the scores obtained by each of the 13 indicators, **business index** value recorded 10 points, reflecting an **overall unsatisfactory trend of business**. It should be noted that in the first half of 2008 business index registered a value of 37 points.

II. SME development index - is obtained by summing the scores for each indicator and the maximum value of this index is 100 points.

| No. | Name index | Maximum score | Minimum score | Actual score obtained | Observations |
|-----|--|---------------|---------------|-----------------------|---|
| 1. | The number of companies registered on Trade Register | 10 | -5 | -5 | The number of registrations dropped by 19.32% from the first half of 2008 |
| 2. | The number of companies removed | 10 | -5 | -5 | The number of removed increased by 26.11% from the first half of 2008 |
| 3. | The number of SMEs that have achieved profit | 10 | -5 | -1 | The number of SMEs with profits fell on average by 0-3% over the first half of 2008 |
| 4. | The number of SMEs registered losses | 10 | -5 | -2 | The number of SMEs increased by an average loss of 3-6% over the first half of 2008 |
| 5. | Evolution of total debt to SMEs | 10 | -5 | -1 | Increased on average by 0-5% over the first half of 2008 |
| 6. | Evolution of averages turnover on SMEs | 5 | -5 | -2 | Decreased on average by 5-10% over the first half of 2008 |
| 7. | Evolution of the average profit on a SMEs | 9 | -9 | -5 | Decreased on average by 10-12,5% versus the first half of 2008 |
| 8. | Evolution of the average loss on a SMEs | 9 | -9 | -1 | Grew an average of 0-2,5% of the first half of 2008 |
| 9. | Evolution of the average number of employees in SMEs | 6 | -6 | -2 | Decreased on average by 5-10% over the first half of 2008 |
| 10. | Evolution of investments on SMEs | 11 | -5 | -2 | Decreased on average by 5-10% over the first half of 2008 |
| 11. | Evolution of export volume of private sector | 10 | -5 | -2 | Decreased by 5-10% over the first half of 2008 |
| 12. | TOTAL | 100 | -64 | -28 | |

Key corresponding to this index score:

| SME development index | Rate |
|-----------------------|---------------------|
| -64 – 0 points | Very unsatisfactory |
| 0 – 20 points | Unsatisfactory |
| 20 – 45 points | Satisfactory |
| 45 – 70 points | Good |
| Over 70 points | Very good |

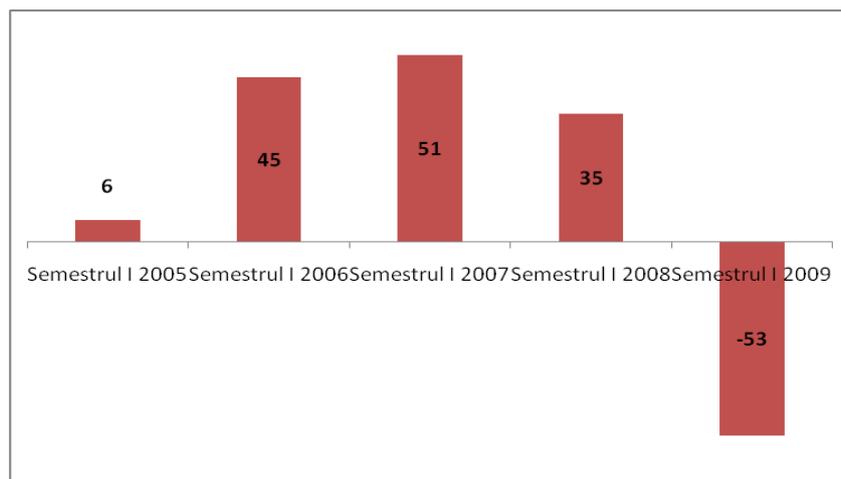
By summing the scores obtained by each of the 11 indicators, the **index registered SMEs development** value of -28 points, **reflecting a very poor overall development of SMEs sector**. In the first half of 2008, this index has a value of 38 points.

III. Index assessment of the economic situation of their own businesses by entrepreneurs in the current semester compared to half like the previous year - may receive a maximum of 100 points.

| Assessment of entrepreneurs | Percentage (%) |
|-----------------------------|----------------|
| Better (x%) | 15% |
| The same (y%) | 17% |
| Weaker (z%) | 68% |
| SOLD (x-z) | -53% |

The balance thus obtained (**-53**) is the score that characterizes the assessment of entrepreneurs, indicating a **significant setback**

Evolution index assessing entrepreneurs



Entrepreneurial Index - is obtained as a weighted average between business index (40%), SME development index (50%) and the index on the assessment of entrepreneurs (10%). The maximum amount that can be achieved is 100 points.

| Entrepreneurial Index | Rate |
|------------------------------|---------------------|
| -77 – 0 points | Very unsatisfactory |
| 0 – 25 points | Unsatisfactory |
| 25 – 50 points | Satisfactory |
| 50 – 70 points | Good |
| Over 70 points | Very good |

Calculating the **entrepreneurial index** using methodology above, it has a value of -15.3 points.

ENTREPRENEURIAL INDEX ON SEMESTER I 2009, COMPARED WITH THE FIRST SEMESTER IN 2008, SHOWS A VERY POOR BUSINESS ENVIRONMENT AND THE SECTOR OF SME'S.

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