

# THE ANALYSIS OF SMALL AND MEDIUM ENTERPRISES IN ROMANIA

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## ABSTRACT

*In the economic structure of the country, the existing companies, small and medium-sized enterprises are absolutely essential, it's known that they have played always a special role in economic life and social.*

*Small and medium enterprises, along with science and technology, may be a decisive factor in turning national economy. They have already won a position well defined, especially because possibilities for adjustment, the large number of jobs provided the flexibility in technology and management, and the ability to work together with the industry giants.*

*Last year 2008 was part of massive layoffs brought in most fields of activity in Romania's economy, coupled with reductions in production and banning investments, but especially for the beginning of 2009, the Fund drop controls on deepening economic crisis and financial world effects.*

**KEYWORDS:** *small and medium enterprises, economic crisis, development, European funds, competitiveness*

## Introduction

The economies of command in Europe felt down 80 years late. Chronic inefficiency, lack competition, keeping the activity of enterprises and unprofitable jobs, losses subsidies planned for the budget, politicization decision economic interest in detriment directly of those in business are just a few of which have led causes economic change in economic system. As a result of them took place a veritable "explosion" of new businesses. [1]

## Presentation

Since 1990, the Sector of small and medium enterprises in Romania has developed gradually, starting virtually from zero. Developments in the macro-economic plan of Romania are likely to support and to create the whole a favorable environment for economic development, in generally, and the small and medium enterprises, in particular.

In the dynamic several years, synthetic data from the table stress an oscillatory evolution of the number of small and medium enterprises between 2000-2005, i.e increase in 2002 and, especially in 2003, followed by a decline pretty important in 2004, When it was reported as a loss of about 55,000 active companies in the past three years a comeback on ascending curve the number of the small and medium enterprises assets than the end of 2007 at the highest number recorded after 2000.

## The number of the small and medium enterprises the total and categories on size

Table 1

Categoria	2000	2001	2002	2003	2004	2005	2006	2007
Micro	375.804	374.255	377.499	417.366	358.787	386.561	410.763	431.029
Small	29.121	30.340	30.231	33.856	36.392	39.128	43.419	47.022
Medium	7.504	7.7737	7.761	8.147	9.121	9.158	9.322	9.577
<b>TOTAL</b>	<b>412.429</b>	<b>412.332</b>	<b>415.491</b>	<b>459.369</b>	<b>404.300</b>	<b>434.847</b>	<b>463.504</b>	<b>487.628</b>

The source: INS, MEF, MIMMCTCPL

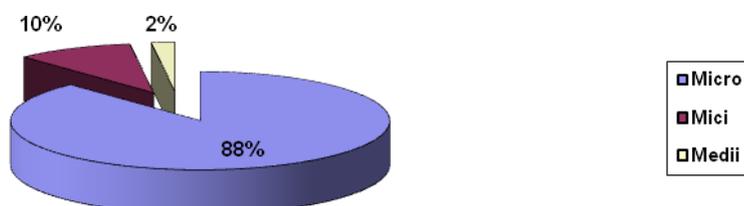


Figure 1 The distribution of the small and medium enterprises by size in 2007

The source: Annual report of small and medium enterprises, 2008

In the structure by size categories, micro-companies have continued to represent the majority in the small and medium enterprises sector, despite a trend that is demonstrated by a few years.

The number of small and medium enterprises assets continued to grow in all economic sectors. In the first year of joining the UE, the number of small and medium active enterprises has increased in all economic sectors of activity, compared with 2006, preceding accession. Various sectors of activity increases have been very different. Thus, a dynamic special signals in the construction sector, where growth has been more sharp (32%), while for agriculture, was (9.1%) and in industry and services have recorded the smallest increase (4,5%) and (2.5%)

## The number of the small and medium active enterprises after the sector of activity

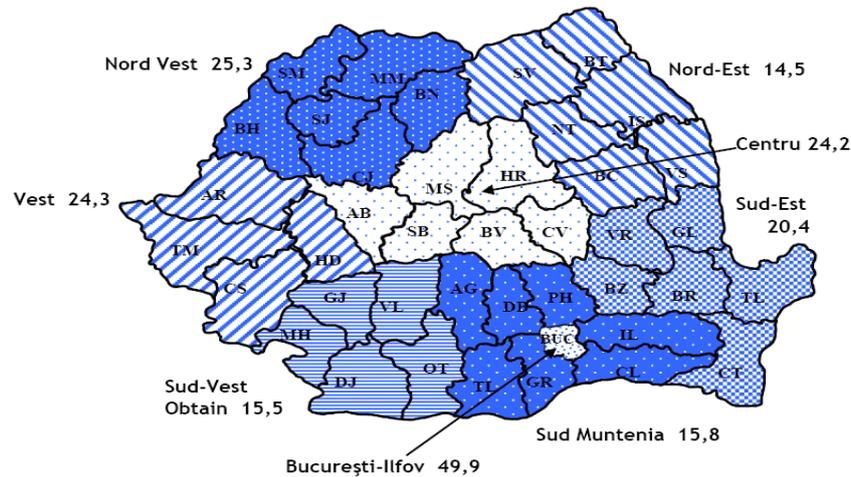
Table 2

Sector	2000	2001	2002	2003	2004	2005	2006	2007
<b>Agriculture, sylviculture</b>	9.925	10.720	10.523	13.704	11.746	11.958	12.859	14.036
<b>Industry, energy</b>	45.719	47.693	52.923	59.555	54.993	55.718	56.873	59.492
<b>Construction</b>	11.808	13.402	18.842	24.542	25.197	29.265	34.757	45.896
<b>Logistics</b>	344.977	340.517	333.203	361.568	312.364	337.906	359.015	368.204
<b>TOTAL</b>	<b>412.429</b>	<b>412.332</b>	<b>415.491</b>	<b>459.491</b>	<b>404.300</b>	<b>434.847</b>	<b>463.504</b>	<b>487.628</b>

The source: INS, MEF, MIMMCTCPL

The comparison to the base from year 2000 shows the number of the small and medium enterprises assets in construction has increased by about 4 times. Increasing the number of active firms in the construction was continuing on the whole time, but most of his growth was recorded in 2007 to 2006.

Small and medium enterprises by their nature and scale at which they have their activities, are very connected to the local market, most occurring locally and acting locally or regionally.



**Figure 2 Number of small and medium enterprises to 1,000 inhabitants on development regions in 2007**

The source: Annual report of small and medium enterprises, 2008

Density average of the small and medium enterprises for 1,000 inhabitants in Romania is on the rise continue, but with all these far below the average level recorded in other European countries states in the UE and the Czech Republic, Cyprus, Greece, Hungary, Italy, Sweden, which recorded values around the 70 of small and medium enterprises in for 1,000 by inhabitants. This way the average density amounted, in 2007, the value for the small and medium enterprises in 1,000 inhabitants, has a growth of the 17 small and medium enterprises of 1,000 inhabitants in 2003, and 21.7 in 2006. [6]

From the small and medium enterprises, only small enterprises recorded increases in number of staff, while for the first time, enterprises medium-sized enterprises and micro-companies lost in the average number of employees recorded compared to the previous year. Therefore, increased average number of employees has registered only in the category of small enterprises.

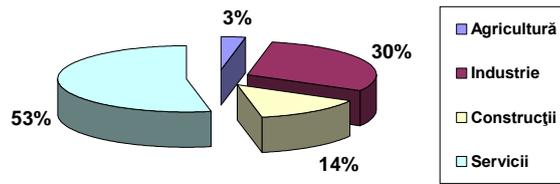
#### Medium number of employees in an enterprise depending on the size category

**Table 2**  
- number of employed persons-

Size categories	2001	2002	2003	2004	2005	2006	2007
Micro	2,0	1,3	1,4	2	2,3	2,3	2,1
Small	20,2	21,0	20,4	20,0	20,0	19,7	19,7
Medium	100,3	106,9	105,4	97,5	100,7	101,0	98,0
<b>Total</b>	<b>5,1</b>	<b>4,7</b>	<b>4,6</b>	<b>5,8</b>	<b>5,9</b>	<b>5,9</b>	<b>5,7</b>

The souce: INS and MEF

Thus, it may conclude that this relatively small increase in annual average number of employees in total industry sector of small and medium enterprises, growth is due not so average number of employees in existing firms, but the emergence of new small and medium active enterprises. Small and medium enterprises services sector continues to provide more than half the number of jobs filled by staff employed (53.9%), while the share of number of employees in small and medium enterprises in construction increased from 11.4% in 2006 to 13.6% in 2007.



**Figure 3 Employees distribution on small and medium enterprises sector an economical sectors in 2007**

The source: Annual report of small and medium enterprises, 2008

Chamber of Commerce and Industry Valcea is a nongovernmental, independent character, which supports business and community interests, particularly those of its members in dialogue with governments and international bodies. Chamber of Commerce and Industry Valcea is a nongovernmental institution, autonomous and non-profit, public interest, organized as a voluntary association of companies.

The main objective of CCI Valcea is to be the best organization to support business in this county. It is an organization that has as main purpose the provision of services and support member companies in both domestic and international activity in a network of Chambers of Commerce. [17]

Chamber of Commerce and Industry Valcea is close to business and offer services including trade missions, trainings, organizing seminars and discussions, databases of information and business opportunities and contribute to business development, as would be:

➤ *The development of entrepreneurial culture among women manager of the small and medium enterprises sector;* [18]

➤ *Project CASE (Chambers towards Acquis Support and Business Ethics - Hotel supports the implementation of the acquis and business ethics).*

Chamber of Commerce and Industry Valcea was one of 11 regional Chambers of Romania, EUROCHAMBRES selected to participate in early May to organized training of executive staff of the Chambers of Commerce, the CASE project.

The project EUROCHAMBRES (Association of Chambers of Commerce and Industry in Europe) aimed to create a working tool for the rooms, based on which they can provide audit services for the local business community, regarding the degree of compliance of local firms with European legislation. The project aims to companies active in 4 areas: food industry, machine building, construction materials and construction products, chemicals industry.

Project CASE (Chambers towards Acquis Support and Business Ethics - Hotel supports the implementation of the acquis and the ethics of business), co-financed by European Commission Business Support Program in 2006, aims to support communion business in Romania, Bulgaria, Croatia and Turkey in order to realize successful economic integration in the European Union.

The project has a budget of 880,000 euros and started in November 2007, with an implementation period of 18 months, having as main activities:

1. Develop and implement audit legislation;
2. Promoting a strategy for corporate social responsibility (CSR) among young entrepreneurs;
3. Institutional consolidation of Chambers of Commerce by attending to EUROCHAMBRES Academies.

➤ **Launch of three funding programs administered by MIMMCTPL**[18]

1. Program to support development of small and medium enterprises by funding the amounts paid for the reinvested gross profit;
2. Program to help transfer business. Order approving the procedure for implementing this program was published in MO 428 / 6 June 2008. [12]
3. Program to develop and modernise the marketing of products and services market. (Order approving the procedure for implementing this program was published in MO 431/9 June 2008). [15]

➤ **Meeting of the Association of Balkan Chambers (ABC) in Berlin**

It started at the Federal Ministry of Cooperation and Development. Deputy Minister, Karin Kortmann, the estimated results of the assistance financed by the German government as very positive by increasing foreign trade between the two sides, supporting small and medium enterprises in the production of goods and services to enter the UE market by organizing business partnerships and exhibitions.

Small and medium enterprises in Valcea can access European funds for:

1. "Support for the advice given to micro, small and medium enterprises;
2. "Financial support of up to 920,000 lei granted for investments by small and medium enterprises";
3. "Financial support by value between 920,001 and 5,560,000 lei granted for investments by small and medium enterprises.

### **Conclusion**

Romanian industry is already operating in an open and competitive. There are a number of measures which can help maintain the competitiveness of small and medium enterprises to operate as competitive local market and increasingly important, although sometimes unrealistically neglected. Romanian companies need to succeed domestically and at the same time, to focus on international markets.

It is very important to cultivate, to strengthen and maintain a favorable business environment in which industry must constantly adapt and sustain. In this respect, Romanian companies will have to implement radical structural changes, meaning among other diversion of resources already provided by the EU in-form pre-accession funds. It is also necessary to produce guidance to business resources more productive, more reliable and transparent response to market signals, so it is possible to achieve a better standard of living.

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