ANALYSIS OF SME SECTOR IN THE ECONOMIC DEVELOPMENT REGION BUCHAREST-ILFOV

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Abstract. Small and medium-sized enterprises continue to play an essential role in the European economy, especially because the EU countries seek for resources and solution for exit the crisis and revival there economies. The crisis started in 2008 sopped that growth and transformed it in a decrease in 2009.
Even if Romania felt the financial and economic crisis latter then it started (August-September 2008) because the Romanian economy had a lower opening level to the world economy the impact was very strong.
The paper presents an analysis of SMEs in a very important development region in Romania. The finding of that analysis may explain the impact of crisis on Romanian SMEs and why Romania is still in recessions.

1. INTRODUCTION

In Romania, the economic and financial crisis strongly affected the evolution of the economy in 2009 and 2010. The business environment, especially the SME sector, knew significant changes because of the impact of the world economic crisis. Besides the demographic changes of the SME sector and the negative economic results, the crisis affected also the entrepreneurial spirit and the antipathy for risks assumption by the investors increased.

The companies faced with new conditions, characterized by shortages or discontinuities of cash, deterioration of contractual relations consolidated in the period of the economic growth, and diminished of consumption and number of clients, both in the manufacturing and services sectors.

Starting the last quarter of 2008, the macroeconomic context was difficult, with negative and unpredictable evolutions that had a stronger impact during 2009, as long as the area covered by the economic and financial crisis became larger and larger. In addition, the impact of the difficult macroeconomic conjuncture was amplified because the negative changes appeared suddenly after a relatively long favourable period for development.

Romania felt the financial and economic crisis latter then it started (August-September 2008) because the Romanian economy had a lower opening level to the world economy. Nevertheless, the crisis impact was amplified by the vulnerabilities specific to an emerging economy that did not had the necessary time to access and consolidate the cohesion and integration in the European economy mechanisms in only two years from it adherence to EU.

Thus, after 10 years of continues growth, because of a mix between world economy turbulences, crisis and internal factors, Romanian economy have a negative economic growth (-7.1%) in 2009. The explanation for this situation consists in a mix of three major factors:

- Contraction of the domestic consumption demand,
- Withdrawal of the foreign flows of capital
- Decay of export and import trade.

2. HOW CRISIS INFLUECED THE ROMANIAN SMES' DYMNAMICS

Between 2000 and 2009, the Romanian SME sector grew with 51.6%, as shown in table 1.

The figures from the table indicate two period of the SME sector development – between 2000 and 2003, and between 2005 and 2008. Actual, the maximum number of registered SMEs was at the end of 2008 (662,024 enterprises).

The first demographic crisis of the Romanian SME sector from 2004 (larger then the crisis from 2009) was generate by some administrative regulations and not by economic conjuncture.

Table 1 Number of registered SMEs, 2000/2009

Size \ Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Micro	375804	374255	377499	417366	358787	386561	410763	431029	602711	573299
Small	29121	30340	30231	33856	36392	39128	43419	47022	49560	43724
Medium	7504	7737	7761	8147	9121	9158	9322	9577	9753	8435
Total	412429	412332	415491	459369	404300	434847	463504	487628	662024	625458

In the next four years, the SME sector knew a strong comeback that allow it to have a continue growth until the end of 2008.

In 2009, the financial and economic crisis led, for the first time after four years of growth to a decrease of the number of SMEs in Romania.

At the end of the year, the number of SMEs registered at the National Trade Register Office was 625,458 comparing with the number of enterprises at the end of 2008 (662024). That meant a decrease of 6.5%. Even so, the level of demographic growth was superior comparing with 2007 (128.7%).

From the total number of registered SMEs at the end of 2009, only 379,627 were active (60.6%). Even if the macroeconomic features of years 2008 (the year with the greatest economic growth from 2004) and 2009 (with economic recession), the rapport between the registered and active SMEs is the same.

The evolution of SMEs between 2007 and 2009, presented in table 2 illustrates some particular aspects regarding that period.

Table 2. Dynamics of the registered SMEs between 2007 – 2009

Period	2007	2008			2009		
		Sem I	Sem II	Total	Sem I	Sem II	Total
Registration	142073	76460	64182	140642	60979	55043	116022
Strike off	20401	6495	11181	17676	12037	31578	43615
Suspension	12012	7194	4825	12019	71250	62112	133362

Source: National Trade Register Office, http://www.onrc.ro/english/statistics.php

The figures from table 2 shows indicate that during 2009 the dynamics of start-ups continued to increase but slower while the exits from market suddenly increased substantially, through strike off and temporary suspension of activities.

In 2009, over 133,000 SMEs suspend there activities comparing with only 12.000 in 2007 and less then 12,000 in 2008. It means that the suspensions increased more the 11 times comparing with the past years. Suspension had a spectacular dynamics not only comparing with the last years but also with strike offs (in 2009 suspension of activities was 3 times greater then strike offs).

The number of strike offs in 2009 comparing with 2007 was 2 times greater, from 20,401 to 43,615. This situation had also positive influence on SME sector, because only healthy companies (active and competitive) remained in market. More then 80% from the strike offs and one third of suspensions were inactive companies.

Tables 2 shows also that the start-ups continue to in 2009 (116,000 new registered companies) even if the rhythm was slower comparing with 2008 (82.4%).

The fact demonstrates the Romanian entrepreneurial potential, on one hand and the necessity to support de development of SME sector as a solution for egression from crisis and economic revival on the other hand.

3. THE ECONOMIC DEVELOPMENT REGION BUCHAREST-ILFOV

The economy of the region is dominated by the function of the capital, the active population being linked to the companies that act in the region.

The region Bucharest-Ilfov represents the largest industrial concentration from Romania, where all the industrial specialties are presented.

The gradual decline of industry after 1990 led to a loss of jobs and the accelerated closer on a lot of inefficient companies exacerbated the diminished of the work force in industry and reorientation to the tertiary sector (the weight of employees involved in services represented approximately 72% in 2011).

One of the most interesting feature of Romanian economic evolution before crisis was the growth of the importance of region Bucharest-Ilfov, especially of the Bucharest City. Even if that was the tendency for all the economies in transition, it was more obvious in Romania because of the size of Romania both as population and territory. The existence of the capital confers a force and an economic dynamics superior to the rest of the regions, a higher level of DGP and a social and professional structure with a higher standard.

The economic environment of the region is very attractive because of the existent institutional structure, the qualified work force and the communication infrastructure more developed comparing with the rest of the regions.

The potential and the economic structures differ between the county and the City: the agriculture is dominant in the Ilfov County (almost 30% of the population) while the economy of Bucharest consists mainly of services (79%) and industry (20%).

The well developed services sector, mainly telecommunication, financial retail, education and research, transportation and warehousing, tourism and cultural services, other services for companies (including software) and trade contribute to competitiveness increasing and development potential of the region.

The main opportunities consist of the possibility to integrate education, research, innovation and business to improve the economic activities by using well trained and qualified human resources.

An important number of employees' works in public services which is normal taking into account the role played by Bucharest – the capital of Romania.

In the same time, the access of the companies to informational society is still low, only 12% of the enterprises from the region being connected to internet.

The major problems for the majority of institutions that support business are the difficult access to finances, the lack of infrastructure endowments (facilities, construction. IT&C).

4. THE ANALYSIS OF SME SECTOR IN THE REGION BUCHAREST-ILFOV

The region Bucharest-Ilfov has more then 20% of the registered companies in Romania. From a survey developed by the National Council of Small and Medium Sized Private Enterprises in Romania (CNIPMMR) in 2011 with data from 2009 results that the density of the companies in Bucharest is 65.44/1000 habitants while the average in Romania is 30 companies/1000 habitants and the European average is 42 companies/1000 habitants.

Nevertheless, the dimension of the companies is small (as shown in Figure 1). More then 99% from the companies are SMEs. In the same time the SMEs represent more then 71% as turnover and almost 70%.

Speaking of SMEs, the micro enterprises (1 to 9 employees) represent almost 89% while the medium sized enterprises (50 to 249 employees) are less then 2%. This situation is a little better then the situation at the country level (91.66% micro enterprises vs. 1.35% medium sized enterprises). The situation is more balanced when we are talking about

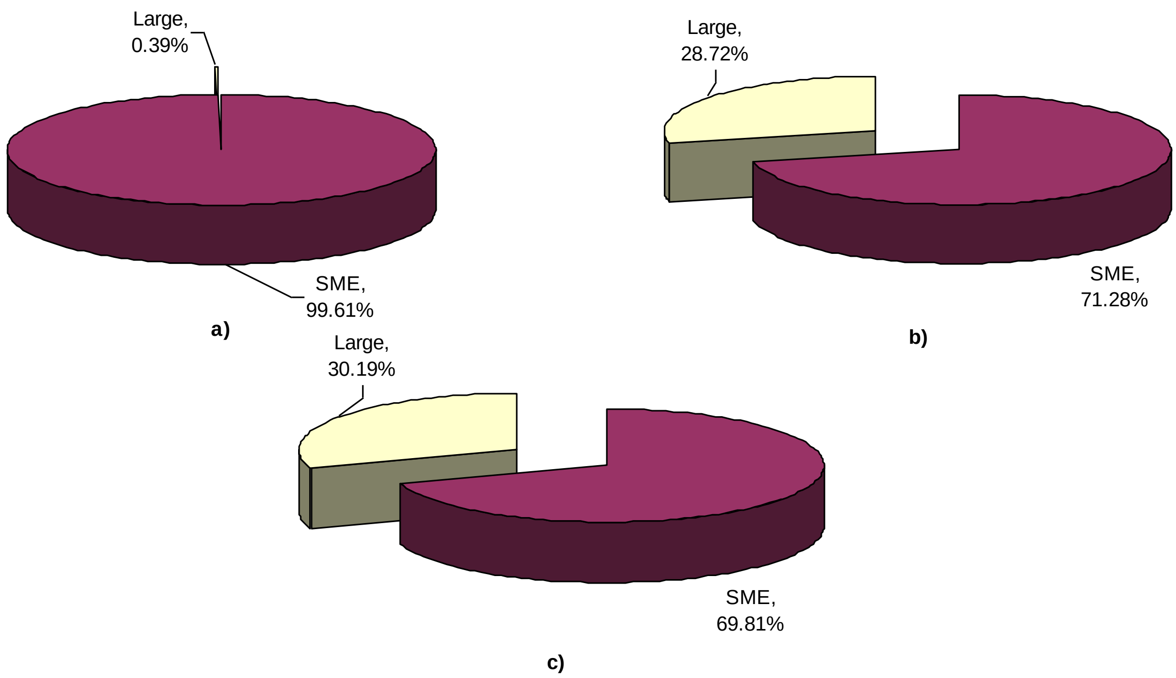

Figure 1. The structure of active companies in the Economic Development Region Bucharest-Ilfov based on size of the company
a) as number, b) as turnover, c) as employment

turnover and employment (see Figure 2).

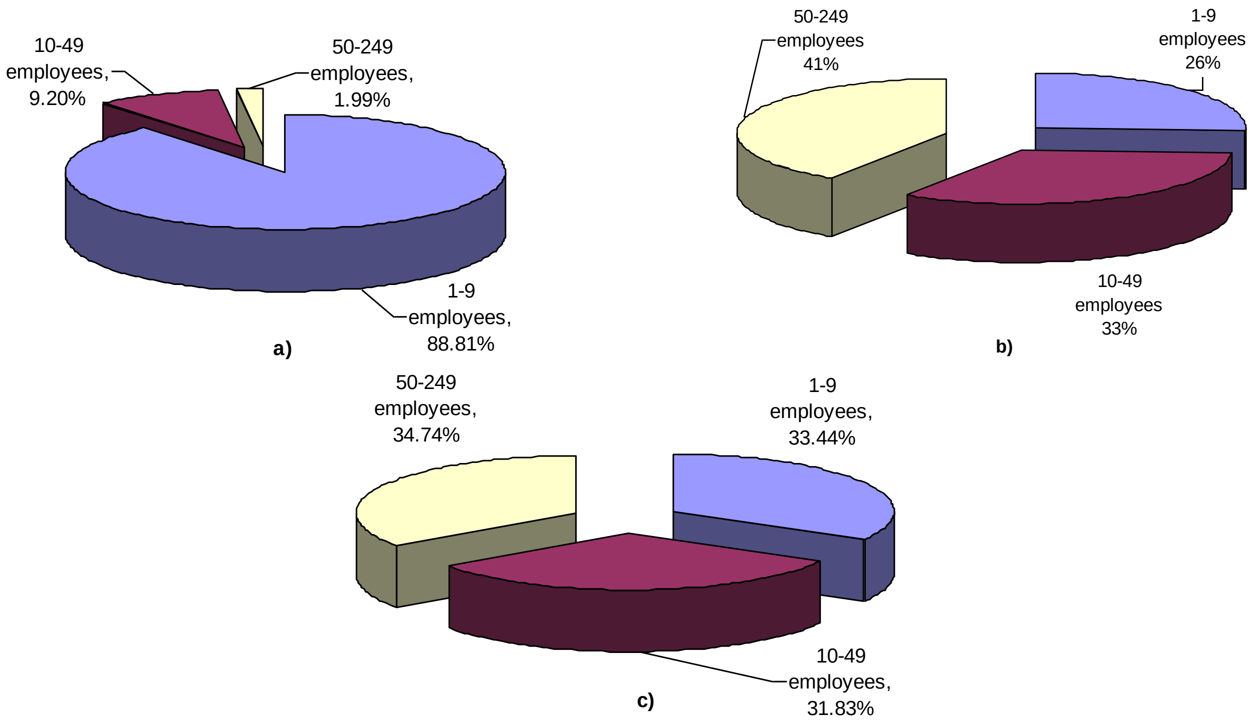

Figure 2. The structure of active SMEs in the Economic Development Region Bucharest-Ilfov based on size of the company
a) as number, b) as turnover, c) as employment

Figure 3 presents the weight of the main domains of activity. As is shown, the largest number of SMEs is in other services. The trade domain represents more then 36% while the number of companies that have as main domain of activity industry or construction is almost equal.

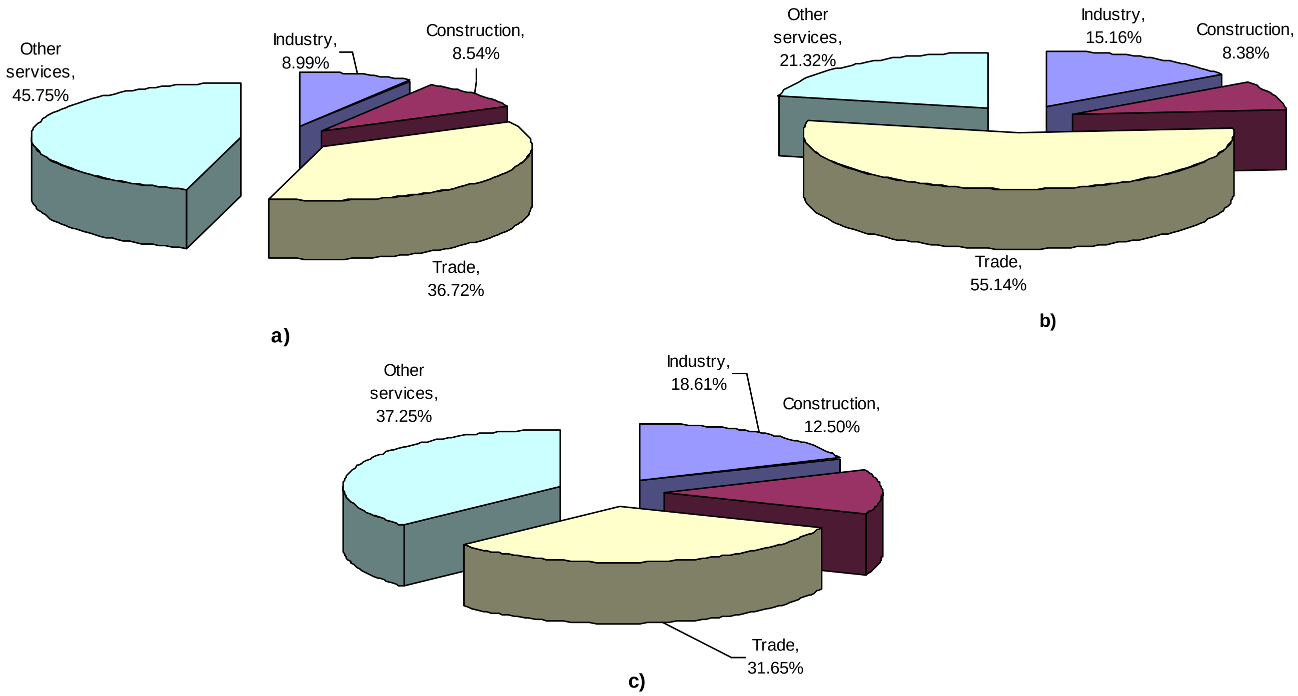

Figure 3. The structure of active SMEs in the Economic Development Region Bucharest-Ilfov based on main activity
a) as number, b) as turnover, c) as employment

Analysing the turnover, one may observe that the companies from industry produced twice as much then there number while companies involved in other services less then half. In the same time, the SMEs having as main domain trade contributed with more then 55% in the turnover.

If we are talking about the employment in SMEs, we observe that the larges number (37.25%) are in other services, one third is in trade activities, and the rest of 30% in industry (18.61%) and construction (12.5%). That may suggest than the highest specific turnover (turnover per capita) is in trade (which is normal) while the lowest is in other services.

Another interesting discussion is about the average figures for turnover and employment (Figures 4 to 6). The comparison between large companies and SMEs shows that the average turnover for SMEs is very low (less then 2 million lei) while for the large companies is around 170 million (Figure 4).

If we make the same comparison inside the SME sector, we may observe that the companies involved in industry generate the highest turnover (2.78 million lei/company) followed by trade companies (2.48 million lei/company) while the other services generate only 0.77 million lei/company (Figure 5).

Going deeper in the analysis, one may observe that the lowest turnover is generated by micro enterprises (between 0.29 and 0.52 million lei). In the same time the small enterprises have between 3.35 (construction companies) and 9.86 million lei (trade companies), and the medium sized enterprises have between 70.97 million lei (trade companies) and 14.75 million lei (other services) as shown in Figure 6.

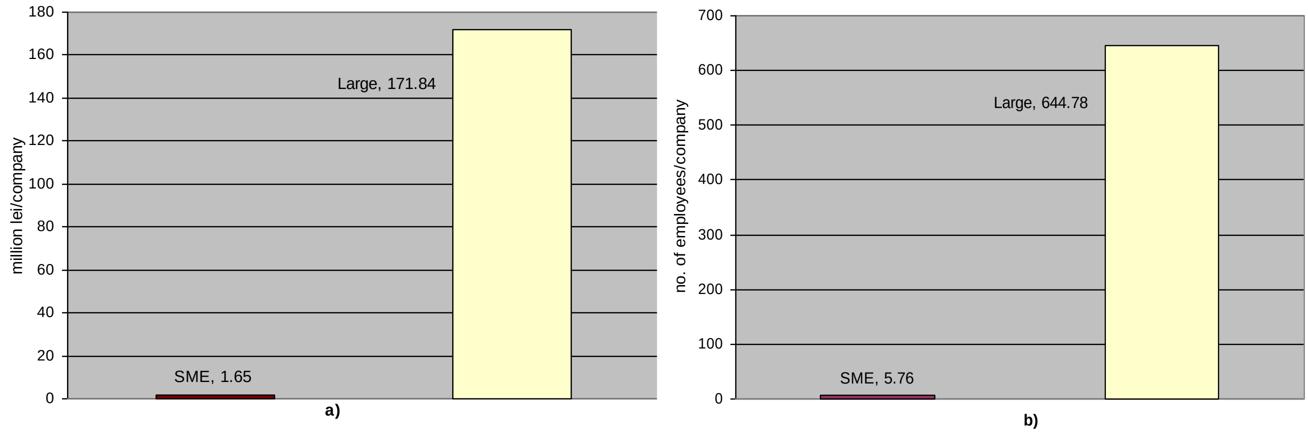

Figure 4. The structure of active companies in the Economic Development Region Bucharest-Ilfov based on size of the company
a) as average turnover, c) as average employment

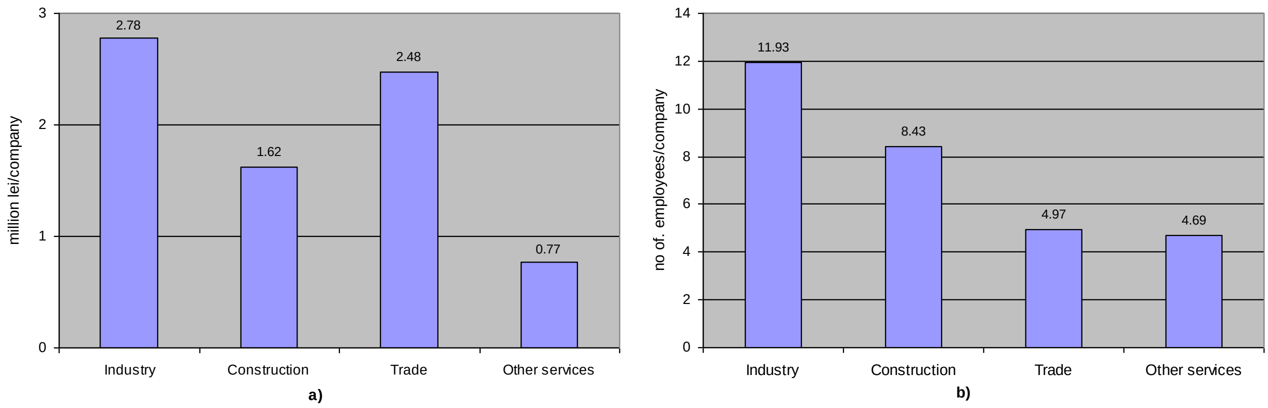

Figure 5. The structure of active SMEs in the Economic Development Region Bucharest-Ilfov based on main activity
a) as average turnover, b) as average employment

One may do a similar analysis on the average number of employees. Figure 4 shows that while the average number of employees in large companies is almost 650, in the SME sector from the region in discussion is less then 6.

Analysing the same indicator within the SME sector, one may observe that the highest employment is in the industry domain almost 12 employees/company). The average number decreases to construction (8.43), trade (4.97) and other services (4.69) as shown in Figure 5.

Figure 6 presents the analysis of average employment within the SME sector, based on size and main domain. One may observe that the micro enterprises have the same situation like the whole sector (the average decrease from 2.58 employees/company in industrial domain to 1.99 employees in companies from other services). The situation is a little bit different within the other two categories. One may find the greatest number of employees in industrial companies (21.61 in small companies and 104.10 in medium sized companies) while, the lowest average number is in trade companies (18.84 in small companies and 95.67 in medium-sized companies).

The figures for the rest of the main domains of activity are in between (20.02 and

101.93 for companies from other services, respectively 20.46 and 98.33 in construction businesses.

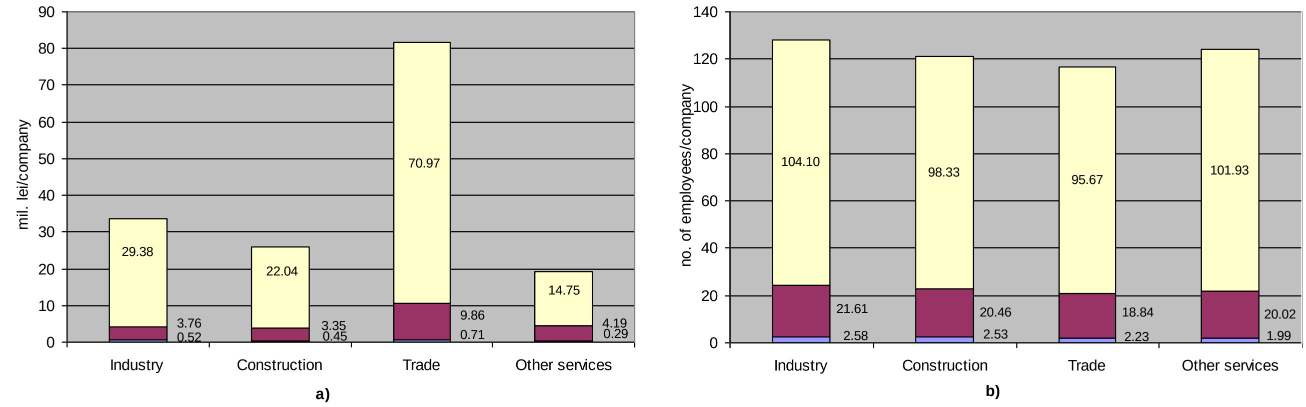

Figure 6. The average turnover and employment of active SMEs in the Economic Development Region Bucharest-Ilfov based on company size and main activity
a) average turnover, b) average employment

50-249 employees, 10-49 employees, 1-9 employees

5. CONCLUSIONS

The crisis impact on the Romanian SME sector consisted of temporary suspension of activity for 133,000 companies and 43,600 strike offs in 2009 comparing with 2007. In the same time, the start-ups, even if the rhythm was slower then in the past years, continue to exist. As a whole, those changes represented a returning of the Romanian SME sector with one or two years.

In the same time, those changes in the demography of this sector reflect a renewal process that could be an opportunity for modernization and innovation.

The dynamic context of assiduous quests for egression from crisis and preparing the economy for resuming the economic growth show the necessity of using innovative, knowledge based solution for the future economic development in general and the SME sector in particular.

Moreover, the features of the EU countries economies, especially the vision and the objectives assumed through Europe 2020 strategy that seek for modernization, innovation, eco-efficiency and social inclusion impose the creation of the necessary condition for a long term modelling of an economy based on knowledge and innovation.

In the light of those tendencies, one may come to the conclusion that, in order to develop a strong SME sector, is absolutely necessary to increase the competitiveness (especially trough productivity increasing), simplify the administrative procedures, develop the business support infrastructure, stimulate the utilization of IT&C, promote and improve the entrepreneurial spirit, and, of course, create innovative financial tools to finance the SMEs.

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