RECENT ASPECTS CONCERNING SMEs FROM NORTH-EAST REGION OF ROMANIA

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Abstract: The North-East (NE) region of Romania is, in terms of area, the largest of the 8 regions and is made up of 6 counties: Iasi, Bacau, Neamt, Suceava, Botosani and Vaslui. NE Region is one of the poorest regions of Romania. The SMEs sector, considered to be the engine of economic development, is rather poorly developed in this region. Thus, in this area of the country we have the lowest density level of SMEs in Romania, the NE region occupying the penultimate place in the economic performance standings, from different regions of the country. The chance of economic recovery of the region is attracting and efficient use of government and community funds to develop the SMEs sector.

Keywords: SMEs, development, NE region

1. INTRODUCTION

The main objective of this paper is to deal with current problems of the SMEs sector in the North-East region of Romania (one of the six regions of the country and, unfortunately, the poorest regions of Romania). The chance of economic recovery of this region is to develop the SMEs sector.

Since 1989, there have been significant changes in the national economy. Thus, the former state socialist enterprises were transformed into private companies, public or mixed. At the same time, appeared shy at first, then more vigorously, new small private businesses that have reinvigorated the national economy and led to the development of a true market economy. The legal framework for the operation of SMEs in Romania is provided by Law 133/1999 on stimulating private entrepreneurs for setting up and development of SMEs.

According to this law (which was subsequently supplemented and revised to be consistent with the EC Recommendation no. 361/2003) in the small and medium category includes the following companies [1, 2]:
- Micro enterprises with up to 9 employees and has an annual net turnover of up to 2 million;
- Small enterprises that have between 10 and 49 employees and has an annual net turnover of up to EUR 10 million;
- Medium enterprises that have between 50 and 249 employees and has an annual net turnover of 50 million euros.

Currently, the role of SMEs in the national and regional economy is very important because they contributes in a large proportion to the achievement of the country’s GDP and provides jobs for a large number of people.

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2. SHORT PRESENTATION OF THE NORTH-EAST REGION OF ROMANIA

Development regions of Romania were established based on Law no. 315/2004 on regional development in Romania [3]. Development Region NE is as surface, the largest of the 8 regions, having about 15.46 % of the total area of the country. In terms of population, NE region is approximately 3.7 million people, representing about 17 % of the total population of the country [4].

Most of the population from this region (over 56 %) lives in rural areas. Rural area of NE region is quite poor, manifesting a big discrepancy in terms of quality of life between rural and urban areas. In rural areas there is a shortage of jobs, here practicing mainly subsistence agriculture. In this rural area there is a migration of many young people either to urban areas in Romania or to other more developed countries. A secondary effect of this migration is the aging of the rural population.

If between 60-70 years of last century there was a forced industrialization of NE region, after 1989 is found an opposite phenomenon (de-industrialization) which led to the closure of many industrial companies, for various reasons such as lack of markets sales, poor management, outdated technology, labor productivity well below the national and European average, different petty private interests. Only major cities of the region NE (Iasi, Bacau, Piatra Neamt, Suceava) attracted important investments and investors leading to a widening gap between the level of development of these cities and the development of small towns and villages of this region.

In recent years, at the level of the NE region, the unemployment rate has exceeded the national unemployment rate (see Figure 1) [5]:

![Fig. 1. The unemployment rate in Romania and at the level of the NE region.](image)

Most unemployed people have between 40 and 49 years old. These people, once dismissed, hardly find a new job. In terms of unemployment, the situation is not good either for young people under 25 who, after completing high school or university, cannot find a job easily. If we analyze the evolution of the total number of employees working in enterprises in NE region is observed in recent years (except in 2008) a reduction of this number (see Table 1) [5]:

![Table 1. The total number of employees working in enterprises in Romania and at the level of the NE region.](image)

At the end of 2011, in Romania most employees were operating in the service sector and trade (40.5 % at the national level, respectively 34.4 % in the NE region of total employees). The share of people working in industry and the construction was in 2011, 36.5 % nationally, respectively 34.1 % in the NE region and the share from the total number of those employed and working in the social services sector (administration government, education, health, social welfare etc.) was 20.9 % nationally, 28.5 % in the NE region, from the total employees [5, 6, 7].
NE region is considered one of the poorest regions of Romania. This is evident if we analyze the indicator called GDP/capita (expressed in Euro). These values are well below the value at national level (Figure 2) [5, 6, 7].

![Fig. 2. The values of the GDP/capita indicator in Romania and at the level of the NE region.](image)

If we analyze this indicator in the counties of this region we see that there are large discrepancies. So if Iasi and Bacau (with 5000, respective 4300 Euro/capita) recorded for this indicator values as close as the value recorded nationally, Vaslui and Botosani ranks last two places in the ranking counties in terms of the GDP/capita.

### 3. RECENT ASPECTS CONCERNING SMEs FROM THE NORTH-EAST REGION OF ROMANIA

After 1990, in Romania, the SME sector began to emerge ever stronger, with few exceptions, from year to year. Currently, the share of SMEs in total national and regional firms (99.7 %) is very close to the share of SMEs in total enterprises in the EU (99.8 %) [8, 9]. The positive trend of the number of SMEs both at national and NE region level was stopped by financial and economic crisis which occurred since 2009 (see Table 2) [5].

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<td>NE Region</td>
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With the onset of the crisis, the economic and financial situation of SMEs both at national and at NE region level worsened. Thus, in the NE region, the economic and financial crisis has had the effect of reducing business for almost 43 % of all SMEs in the region. Just for 19 % of SMEs in NE region the last 3-4 years have been a period of business development. Other SMEs in the region (38 % of total) were able to operate at the same parameters despite the difficulties they faced.

The main problems faced lately SMEs in NE region were lower domestic demand, excessive taxation, bureaucracy, high costs of business financing, corruption etc.

An important indicator of the development of the SMEs sector is the number of SMEs per 1000 inhabitants, which reflects the density of SMEs. This indicator cannot be calculated accurately because in Romania there was a strong process of population migration both within national borders (from rural to urban areas and a less developed region to more developed regions) and abroad (population migration to more economically developed countries) (see Figure 3) [5]:

Looking at this indicator it can be seen that the NE region has the lowest level of SME density of all Romanian regions. In another ranking, the economic performance of SMEs in different regions of the country, NE region occupies the penultimate place as SMEs in this region contributes only 7.3 % to the turnover of SMEs in Romania [10]. All these issues highlight the fact that SMEs sector in NE region of Romania is still weak. Therefore, it requires implementation of coherent strategies to support the SMEs sector in the region.
National and regional level, the Agency for the Implementation of Programmes and Projects for SMEs ran and still runs several national programs such as [11]:
- The program for stimulating the setting-up and development of micro enterprises by young entrepreneurs;
- The multi-annual national program for establishment and development of technological and business incubators;
- The Multi-annual national program for development of an entrepreneurial culture among women managers from the SMEs;
- The START Program to develop entrepreneurial skills among young people and facilitating access to finance etc.

At regional level SMEs development should be carried out in parallel with the development of an infrastructure to create the optimum framework for the development of new business. Perhaps the most important support in this sector is the European funds. Recently, a support for SMEs in developing national and regional is the attraction and use of European funds in the sector. Thus, in 2007-2013, SMEs in Romania received financial support of around 1 billion Euro in POSCCE, POSDRU or PNDR programs. This amount is very small considering that for our country has been allocated in the 2007-2013 structural funds worth 19 billion Euros (of which had been spent by the end of 2011 only 2.9 billion Euros in total economy).

4. CONCLUSIONS

NE region of Romania is one of the least developed regions of Romania and the EU. This underdevelopment is found both in the regional economy in general and the SMEs sector in the region. NE region has the lowest level of SMEs density of all regions and occupy the penultimate place in the economic performance rankings of SMEs in different regions of Romania. Moreover, in the NE region, the economic and financial crisis has reduced activity for almost 43 % of all SMEs.

Given the regional and national realities we can say that the future of SMEs in Romania and the region will depend very much on attracting and using government and community funds to develop this sector. Only consistent and effective use of these funds can help reduce the gap between the development of the SMEs sector in developed EU countries and the development of this sector in Romania, especially in the NE region.

5. REFERENCES

[1] Legea privind stimularea inițierii și dezvoltării IMM-urilor nr. 133/199.


