

ASPECTS CONCERNING THE FINANCIAL PROFILE OF THE DEVELOPMENT REGIONS OF ROMANIA

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Abstract:

For a more conclusive analysis of the development regions of Romania a number of useful aspects concerning their financial profile should be emphasized. This paper represents part of a study carried out within phase I of the Project "Economic and Social Models for the Attenuation of Inequalities in the Rural Environment in the Regional Profile", within which we have intended to identify the strengths and weaknesses related both to the possibilities of developing economic activities, as well as to the opportunities and threats specific to each region, concerning financial aspects.

Key words: aggregate indicators, financial profile, regional competitiveness

JEL classification: G00, E20, R11

1. Foreword

The calculation of the aggregate indicators that reflect the positions held by the 8 development regions of Romania is particularly important for the identification of the development opportunities of the economic activities, and it also represents a truly useful help in the analysis of the regional competitiveness.

The role of the local factors and that of the economic initiative in the overall development of a country have been clearly emphasized within the Lisbon Agenda, in which the regional competitiveness is defined as the ability of a region to maintain the local basis of companies and qualified labor force and to attract foreign investments.

A number of financial indicators, such as the following, are essential for the analysis of regional disparities: tangible assets (completed dwellings), the turnover of companies, gross investments carried out, number of active local units, in the industry, building industry, trade and other services, registrations of trading companies with foreign participation in their social capital and their social capital, the average level of local budget revenues per inhabitant and the volume of contracted loans).

2. Financial indicator analysis, results and discussions

The analysis of the tangible assets indicator (completed dwellings) in the 8 development regions of Romania allows us to point out that most of the current dwellings /dwellings completed in 1990-2007 were located in the rural environment. Most of the dwellings completed in the rural environment were financed from private funds, while the government had very little involvement in the increase in the offer of completed dwellings.

The position of each of these regions can be seen in the following table:

Table no 1. Tangible assets (completed dwellings), 1990-2007

Position	Development region	Number of tangible assets (completed dwellings), 1990-2007
1	North-East	1227465
2	South-Muntenia	1210621
3	North - West	1013921
4	South-East	984103
5	Central	952688
6	Bucharest-Ilfov	949700
7	South-West Oltenia	875283
8	West	792568

Source: Statistical Database– TEMPO-Online time series, the National Institute of Statistics

Per total economy, the highest turnover was recorded in the period 2004-2006 in the sectors of the wholesale and retail trade, car, motorcycle, private and household goods repair and maintenance, followed by the processing industry. Differences are noticed among development regions. For example, in the South-East and South-Muntenia regions the processing industry represents the activity where the highest turnover was recorded. On the other hand, in the Bucharest-Ilfov region, the volume of trading activities (from the point of view of turnover) is 3-4 times higher than the volume of the activities in the processing industry. The ranking of the development regions from the point of view of the turnover indicator is presented in the following table:

Table no. 2. The turnover of companies (billion lei, current prices), 2004-2006

Position	Development region	The average level of turnover of companies, 2004-2007
1	Bucharest-Ilfov	173172,6
2	South-Muntenia	63804,3
3	South-East	59402,7
4	Central	56250
5	North - West	54009,7
6	West	44805,3
7	North-East	44329,7
8	South-West Oltenia	34698,3

Source: Regional Statistics, the National Institute of Statistics

We can notice the net position of the Bucharest-Ilfov region in which the recorded turnover is almost 5 times higher than the one recorded in the South-West Oltenia region that holds the last position.

Per total economy, in the period 2004-2006, the highest volume of gross and net investments carried out was recorded in the processing industry, followed by transports, storage and communications and trading activities. From the point of view of the volume of gross investments carried out, the positions of the development regions are as follows:

Table no. 3. Gross investments carried out (billion lei, current prices), 2004-2006

Position	Development region	The average level of Gross investments carried out, 2004-2007
1	Bucharest-Ilfov	29778,3
2	South-Muntenia	7653,7
3	Central	7636,3
4	South-East	7178,7
5	West	6971,7
6	North - West	6457,7
7	South-West Oltenia	5369,7
8	North-East	5313

Source: Regional Statistics, the National Institute of Statistics

We can notice again that the Bucharest-Ilfov region holds the first position with a volume of gross investments carried out that is approximately 6 times higher than the volume of gross investments carried out in the South-West Oltenia and North-East regions.

The registrations of trading companies and the subscribed capital represent characteristic indicators for the dynamics of the economic activity. The increase in the number of trading companies and in the subscribed capital are clear signals of improvement in the business environment in a certain region. The increase in the number of trading companies with foreign capital and in their subscribed capital proves that there is improvement in the investment climate. The positions of the 8 development regions function of the number of active local units, in the industry, the building industry, trade and other services, registrations of trading companies with foreign participation in the social capital and their social capital are as follows:

Table no. 3. Number of active local units, in the industry, building industry, trade and other services, 2006

Position	Development region	Number of active local units
1	Bucharest-Ilfov	110940
2	North - West	65315
3	Central	58151
4	South-East	56058
5	North-East	52364
6	South-Muntenia	49232
7	West	45218
8	South-West Oltenia	34674

Source: Statistical Yearbook of Romania, 2007

Table no 4. Registrations of trading companies with foreign participation in their social capital, 1991-2008

Position	Development region	Registrations of trading companies with foreign participation in their social capital
1	Bucharest-Ilfov	81472
2	West	18052
3	North - West	17428
4	Central	16216
5	South-East	8855
6	South-Muntenia	7210
7	North-East	6636
8	South-West Oltenia	4058

Source: Operations in the Central Trade Register, National Trade Registry

Table no 5. The social capital of trading companies with foreign participation in their social capital, 1991-2008

Position	Development region	The social capital (thounthans lei)
1	Bucharest-Ilfov	31250846,5
2	South-Muntenia	9843562,9
3	Central	4876271
4	South-East	479636,6
5	North-East	3993854,8
6	West	3638276,1
7	North - West	3531877,4
8	South-West Oltenia	1495933,5

Source: Operations in the Central Trade Register, National Trade Registry

The indicators that reflect the local budget execution provides information concerning the possibilities of local authorities to meet the needs of the local communities, according to their responsibilities and attributions. Function of the average level of the local budgets per inhabitant, the ranking of the development regions is as follows:

Tabele no. 6. The average level of local budget revenues per inhabitant, 1990-2007

Position	Development region	The average level of local budget revenues per inhabitant (thousands lei/ inhabitant)
1	Bucharest-Ilfov	62,4
2	West	34,8
3	Central	33,3
4	South-East	32,9
5	North - West	29,7
6	North-East	29,4
7	South-West Oltenia	28,8
8	South-Muntenia	28,3

Source: Statistical Database– TEMPO-Online time series, the National Institute of Statistics

The volume of granted loans, as the main source of financing the consumption and investments in Romania, represents a relevant indicator for the assessment of the development opportunities for the economic activities. From this point of view, the position of each of these regions can be seen in the following table:

Table no. 7. The volume of contracted loans, 2008

Position	Development region	contracted loans (lei)
1	Bucharest-Ilfov	747870005274
2	North - West	272265044572
3	Central	216794224443
4	North-East	213067842340
5	South-East	209276382717
6	South-Muntenia	180824439005
7	West	163467701167
8	South-West Oltenia	146590734063

Source: The Financial Behavior of the Population and Market Participants in Territorial Profile, National Bank of Romania

The aggregation of the financial indicators generate following situation:

	Bucharest-Ilfov	North - West	Central	North-East	South-East	South-Muntenia	West	South-West Oltenia
Tangible assets (completed dwellings)	6	3	5	1	4	2	8	7
The turnover of companies	1	5	4	7	3	2	6	8
Gross investments carried out	1	6	3	8	4	2	5	7
Number of active local units	1	2	3	5	4	6	7	8
Registrations of trading companies with foreign participation in their social capital	1	3	4	7	5	6	2	8
The social capital of trading companies with foreign participation in their social capital	1	7	3	5	4	2	6	8
The average level of local budget revenues per inhabitant	1	5	3	6	4	8	2	7
The volume of contracted loans	1	2	3	4	5	6	7	8
Aggregate indicator	13/8 =1,6	33/8=4,1	28/8=3,5	43/8=5,4	33/8=4,1	34/8=4,3	43/8=5,4	61/84=7,7

Naturally, the Bucharest-Ilfov region is clearly on the first place, with the best results for most of the indicators. On the other hand, the sector economic structure of the South-West Oltenia region reflects a lower development as compared to the national average. Oltenia has attracted considerably lower direct foreign investments than the national average. The dynamics of the economic activity in this region is one of the lowest in the country.

The other development regions have recorded similar results, showing a relatively equal level of opportunities for the increase of the economic activities. Some of these regions take disproportionate advantage of the presence of a company (for example Renault in Argeş, Mittal Steel in Galaţi) or of an industry that offers comparative advantages (such as the oil production and refining in Prahova).

3. Conclusions

In most of the development regions (with the exception of the region Bucharest-Ilfov and South-West Oltenia) we can identify, based on the analysis of the selected indicators, the following strengths, weaknesses, opportunities and threats:

Strengths	Weaknesses
<ul style="list-style-type: none"> • High volume of tangible assets (completed dwellings) in the rural environment; • The existence of a dynamic business environment at the level of regions; • The existence of a favourable investment climate both for local market participants as well as for the foreign ones; • The existence of certain representative private enterprises, with foreign capital. 	<ul style="list-style-type: none"> • The poor involvement of the government into the increase in the offer of dwellings in the rural environment.
Opportunities	Threats
<ul style="list-style-type: none"> • Direct foreign investments; • The possibility of an easy adjustment of most of the companies to the changes in the economic environment; • The entrepreneurial development; • The modernization of rural areas as a result of the increase in the financial resources made available for the local public authorities. 	<ul style="list-style-type: none"> • The vulnerability of most companies to the competitiveness on the globalize markets.

The situation of the South-West Oltenia region, characterized by the lack of capital for the support of investments, the poor dynamics of the business environment and the low capacity of attracting direct foreign investments require a particular development strategy that should constitute the objective of the public authorities at the central and local levels in the next period.

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