

THE IMPORTANCE OF SME'S IN ROMANIA, IN THE CONTEXT OF THE GLOBAL CRISIS

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Abstract:

In Romania as well as in other EU countries SME's are approximately 90 per cent of all the enterprises and they represent the main drivers in obtaining employment and GDP. A SME has the ability to react in a more flexible mode on markets which are competitive and strong and to adapt rapidly to the structural changes of the global economy. In this paper we present some problems that SME's in Romania are facing and the mode in witch entrepreneurs are passing this crisis.

Key words: SME, entrepreneurs, economic crisis, problems, solutions

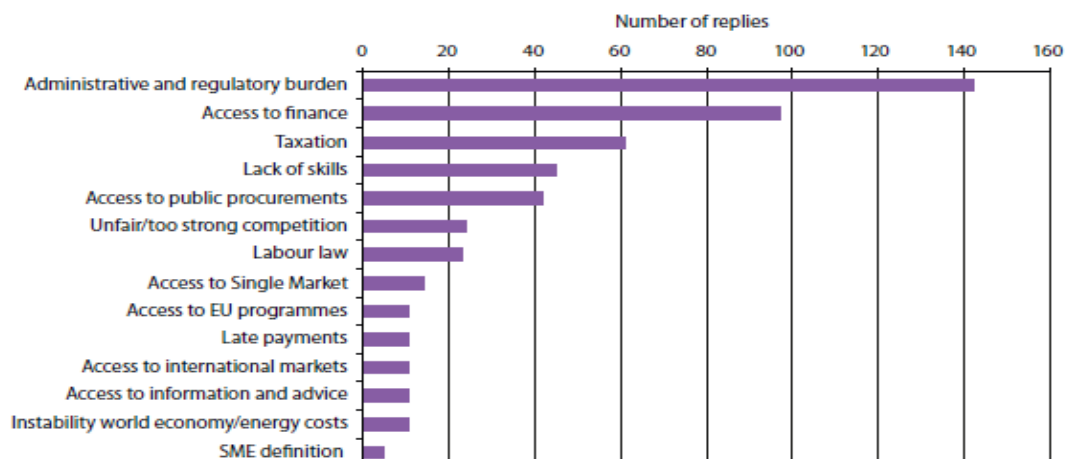
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1. SME's in European Union

Statistics in all the European countries reveal that SME's represent approximately 90 per cent of all the enterprises and are the main drivers in obtaining employment and GDP. These types of enterprise are becoming increasingly important in our society as key players for the well being of all local a regional community. SME's are the only ones that, given the actual financial and economic crisis, are generating new employment

Companies classified as small and medium-sized enterprises (SMEs) are defined officially by the EU as those with fewer than 250 employees and which are independent from larger companies. Furthermore, their annual turnover may not exceed €50 million, or their annual balance sheet exceeds €43 million. SMEs may be divided into three categories according to their size: micro-enterprises have fewer than 10 employees, small enterprises have between 10 and 49 employees, and medium-sized enterprises have between 50 and 249 employees.

SME's problems



European Union recognizes and appreciates the importance of SME sector as a base for the modern economic development. This sort of enterprises has the ability to respond in a flexible mode on competitive and strong markets and to adapt rapidly to the structural changes of the global economy. A strong SME sector can sustain stability and macroeconomic growth.

Sustaining SME's is a top priority for the European Commission. Some priorities are improving access to finance, helping SMEs to go abroad, ensuring fair competition, education and skills for entrepreneurship, environmental challenges, SMEs' research and innovation, support for SMEs at regional level. In the context of global crisis SME's across Europe are facing various and important problems.

2. SME's in Romania

In Romania the main problem that this type of enterprises is facing is the decrease of internal demand. The global economic and financial crisis affected many of the small and medium company's strategies. More than half of these are expecting to have financial results inferior to the year 2009. National Council of Private SME indicates that the number of those with inferior financial result raised 8,3 times compared with the same period in the last year having direct impact on this year's GDP.

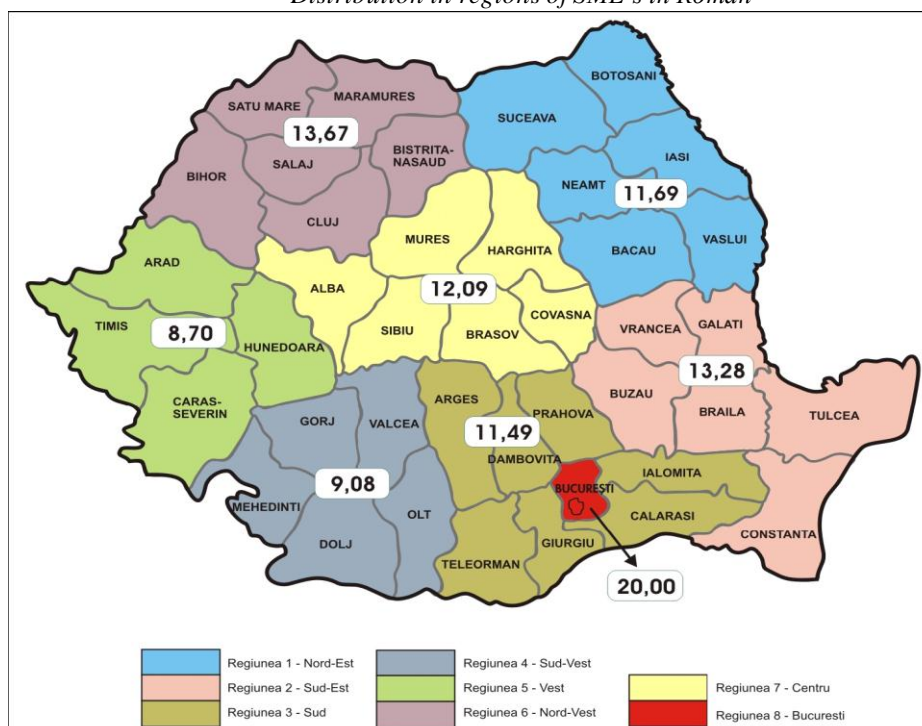
In the last year more than 40.000 SME's were affected by the forfeiter tax and had to close their business. Small companies have been paying anything from 500e upwards, irrespective of having any profit or income in their business.

For example, many private foreign owners of Romanian real estate have a company simply as a way of legally owning the land, but have no actual activity. These persons have been forced to pay this annual tax despite have no activity, significantly increasing their annual running costs.

Recording to the Romanian Chamber of Commerce 200.000 SME's closed their business last year do to this forfeiter tax. This represent 30 % of the total of SME's across Romania.

The distribution in regions of SME's in Romania is detailed in our next figure.

Distribution in regions of SME's in Romania



The total number of SME's in Romania is 404.526. In the map presented above it can be seen that Bucharest alone represents approximately 20% of the total of companies listed with a number of 76.355 companies followed by Cluj with 4.3% with a number of 17.409 companies and Constanta with 4.1 % with 16.637 companies.

The number of SMEs detailed on each region is presented in the chart below.

Distribution of SME's on Regions

Region	Number of SME's	Cumulated percentage
Nord East (1)	47.275	11,69
South East (2)	53.723	24,97
South (3)	46.468	36,45
South West (4)	36.728	45,53
West (5)	35.204	54,24
North West (6)	55.299	67,91
Center (7)	48.921	80,00
Bucharest (8)	80.908	100,00
Total	404.526	X

For example, the region 5 West region contains the Counties of Arad, Caraş-Severin, Hunedoara and Timiş and consists of almost 9 % of the Total SME's in Romania. Our study reveals that Timis County alone holds 40 % of the total number of SME' in the West region (5). The study also indicates that over 89% of the enterprises in this region have 10 or less employees. An estimated number of 53 % of the companies in the West region have a Income of 5.000 Euro. A number of 39 % of the region's companies activate in the field of commerce.

According to a study, SME entrepreneurs in Romania sustain the idea that the actual crisis is the product of external condition (74%) in comparison with the incompetence of the Government (26%). The same entrepreneurs are confident that the Romanian economy will recover after signing the agreement with the IMF (55%). A number of 62% of all SME entrepreneurs consider that the relaxation of crediting will lead to the recovery of the economy.

3. Conclusions

Some solutions to sustain the activity of the SME sector, which is without a doubt the most important sector in the Romanian economy, but is never considered as such are:

- Defrosting crediting for financing SME's;
- A large number of fiscal facilities meant to ease up the financial situation of SME's;
- Decreasing social contribution percentage;
- Facilitating crediting, guaranteed by the state;
- Freezing salaries in all public and private sector.

Some measures entrepreneurs take, at the moment to pass the damaging effects of the crisis, are reducing administrative expenses (36%), reducing the number of employees (19%) and reducing the incomes of the employees (9%).

In the actual situation SME's contribute to the GDP is approximately 70% considering that 600.00 SME's exist in Romania in the beginning of 2010. According to our study 30% of the actual SME's could go bankrupt due to the actual financial crisis.

The difficult situation, that Romanian economy is facing, lead to an alarming increase of bankruptcy among SME's.

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