

SMALL AND MIDDLE ENTERPRISES (SMEs) IN ROMANIA – RETROSPECTION AND PERSPECTIVE

Introduction

In Romania the Small and Middle Enterprises (SMEs) sector represent the most dynamic and profitable economic sector that offers the biggest part of GDP (export and incomes to the state budget).

Romania's Government recognizes and appreciates the importance of the small and middle size enterprises for the development of a sustainable economy, for the creation of new working places and their significant contribution to diminishing unemployment. If one takes into account the fact that at the beginning of the 90's the small and middle sized enterprises were almost nonexistent one can appreciate that they had an ascending turnover. The development of SMEs was slowed down by numerous factors among which the difficult access to financing sources for investments in the long and medium run and the insufficiency of the services to assist them.

As a reconnaissance of their importance, in 2001, they set up the Ministry for the Small and Middle-sized Enterprises (MIMMC), that changed into the National Agency for SMEs and Cooperation (ANIMMC). ANIMMC had and have the purpose to fulfill the governing program in the field of the development of the sector of SMEs, cooperation one and in the field of the domestic trade.

1. A specific analysis of the small and middle enterprises

The results are obtained by processing the database of the balance sheet information of 2001 furnished by CNIPMMR (Consiliul National al Intreprinderilor private Mici si Mijlocii din Romania - National Council for SMEs from Romania), the data furnished by ANIMMC and the Trade Chambers of Romania and the information offered by the statistical yearbooks of Romania (2001, 2002, 2003).

We should mention that in our country the classification of the firms according to their size is as follows:

- micro-enterprises: 0-9 employees;
- small enterprises : 10-49 employees;
- middle sized enterprises: 50-249 employees.

1.1. The total number of SMEs at the country level

According to the data furnished by CNIPMMR, the total number of SMEs that forwarded the balance sheet in 2001 was 404,526 and at present there are 437,000 companies (Table 1).

Table no. 1

Total number of SMEs

<i>Group</i>	<i>Number of companies</i>	<i>Weight (%)</i>
0-9	369,016	91.3
10-49	28,820	7.1
50-249	6,690	1.6
Total	404,526	100.0

We notice that the largest weight within SME is held by micro-companies. According to ANIMMC at the end of 2001 the total number of SMEs, natural persons and family associations was 669,887 that is 2.5% more compared with the previous year. In 2001 151,615 natural persons and family associations were authorized and it represents a 16% growth as compared with the previous year. The birth -rate of SMEs was 5.6% in 2000, 5.6% in 2001 and 7.7% in 2002 and the death -rate decreased from 1.2% in 2000 to 1 in 2001, with a spectacular growth of 19% growth of death-rate due to the large number of the SMEs that could not increase their social capital at the legal dead-end. The tendencies go on lowering for the death-rate and increasing for the birth-rate.

According to the data furnished by CNIPMMR in 2001, the SMEs represent 99.65% of the total companies that forwarded the balance sheet.

1.2. The distribution of SMEs in the main group of activities in 2001

The distribution of SMEs, according to activities points to a strong polarization to certain branches.

The CAEN classification was used.

After processing the data from the 404,526 enterprises it results a concentration on certain economic activities (Table 2).

Table no. 2

SMEs distribution on branches of activity

<i>CAEN code</i>	<i>Number of enterprises</i>	<i>Weight (%)</i>
Wholesale (1)	53,860	13.31
Retail (2)	177,488	43.88
Hotels and restaurants (3)	15,971	3.94
Terrestrial transport and pipes (4)	15,106	3.73
Post and telecommunications (5)	1,055	0.26
Banking-financial institutions (6)	1,325	0.33
Real estate transactions (7)	4,909	1.21
Information (8)	4,688	1.16
Research and development (9)	245	0.06
Services for enterprises (10)	20,849	5.15
Public administration (11)	558	0.14
Education (12)	459	0.11
Health and social assistance (13)	4,768	1.18
Cultural activities (14)	24,588	6.08
Agriculture (15)	8,771	2.17
Hunting and silviculture (16)	1,001	0.25
Fishery and pisciculture (17)	230	0.06
Mining and quarrying (18)	479	0.12
Food and beverages industry (19)	10,510	2.60
Textile industry (20)	8,675	2.14
Wood and wooden products manufacturing, pulp and paper (21)	7,931	1.96
Publishing houses, polygraphy (22)	2,786	0.69
Crude oil processing (23)	1,310	0.32
Rubber and plastic products industry (24)	1,894	0.47
Non metallic products industry (25)	1,696	0.42
Metallurgy and machines manufacturing (26)	4,017	0.99
Machinery and equipment (27)	554	0.14
IT and office means (28)	1,206	0.30
Medical instruments and apparatus industry (29)	449	0.11
Means of road transport industry (30)	588	0.15
Furniture industry (31)	3,273	0.81
Pollution prevention (32)	894	0.22
Electric energy, gas and water (34)	206	0.05
Constructions (35)	13,163	3.25
Trade of vehicles and fuel (36)	9,024	2.23
TOTAL	404,526	100.00

Source: ANIMMC

The distribution in branches shows a strong polarisation: the wholesale and retail hold together 57% of the total number of SMEs.

According to the data furnished by ANIMMC the analysis referring to the distribution of enterprises according to their size and sector of activity shows the following characteristics:

- the number of the microenterprises with trade activity had the tendency to decrease in 2000 from 66% to 63% in 2001 and 53.1% in 2002;
- the group of small enterprises has a structure that differs from the general structure of SMEs, only 40% of the small enterprises operating in trade and 30.5% in industry in 2002;
- the structure of the middle-sized enterprises is also completely different from the general structure of SMEs, industry and trade are the most representative fields of activity, comprising over 60% (48.9% and 12.1% respectively)

1.3. The SMEs distribution in regions of development and in counties in 2001

Table no. 3

The distribution of SMEs in regions of development

Region	Number of enterprises	Weight
North East (1)	47,275	11.69
South East (2)	53,723	13.28
South (3)	46,468	11.49
South West (4)	36,728	9.08
West (5)	35,204	8.70
North West (6)	55,299	13.67
Center (7)	48,921	12.09
București (8)	80,908	20.00
TOTAL	404,526	100.00

Source: ANIMMC

In regions of development, the region no. 8 comes first with 20%, followed by regions 6 and 2, with almost 13.67% and 13.28% respectively and region 7 with 12.09%. The South West and West regions hold under 9% of the total number of enterprises.

ANIMMC gives the following situation:

Table no. 4

The SMEs distribution in classes of size and regions of development

Region of development	Total SMEs	Micro	Small	Middle sized
2000				
North-East	11,6	11,5	12,5	13,6
South-East	13,2	13,4	11,4	11,3
South (Muntenia)	11,8	11,9	10,9	11,5
South-West (Oltenia)	9,5	9,8	6,7	6,8
West	8,4	8,2	10,1	10,5
North-West	13,6	13,5	14,7	13,6
Center	11,8	11,6	14,3	14,3
Bucuresti-Ilfov	20,1	20,1	19,4	18,4
SMEs SECTOR	100,0	100,0	100,0	100,0
2001				
North-East	11,7	11,6	12,2	13,1
South-East	13,3	13,5	11,3	11,2
South (Muntenia)	11,4	11,5	10,5	11,2
South-West (Oltenia)	9,0	9,2	6,9	6,5
West	8,7	8,5	10,4	11,0
North-West	13,7	13,6	14,8	13,6
Center	12,2	11,9	14,2	14,5
Bucuresti-Ilfov	20,0	20,2	19,7	18,9
SMEs SECTOR	100,0	100,0	100,0	100,0
2002				
North-East	11,7	11,6	12,5	12,6
South-East	13,0	13,2	11,7	11,4
South (Muntenia)	11,5	11,5	6,9	12,1
South-West (Oltenia)	8,3	8,5	10,5	6,7
West	9,0	8,9	14,9	11,2
North-West	14,0	13,9	14,3	13,7
Center	12,5	12,4	13,2	14,2
Bucuresti-Ilfov	20,0	20,4	18,0	18,1
SMEs SECTOR	100,0	100,0	100,0	100,0

Source: ANIMMC

In 2002, the highest density of SMEs is recorded in București-Ilfov region and the lowest in the South-West region, where the density of enterprises is 170% lower than in Bucuresti-Ilfov region. In București-Ilfov region are localized 18.1% of the middle-sized enterprises while in the South-West region their number is 6.7% of the total.

As to the counties distribution, București, with 76,355 enterprises holds a weight of about 19%, followed by Cluj and Constanța. At the other pole there are the counties Calarași and Salaj.

1.4. The main financial and economic features of SMEs

1.4.1. Social capital, number of employees

In the table below we give the number of employees and the social capital in categories of enterprises, according to their size in 2001 (Table 5).

Table no. 5

Social capital and number of employees in SMEs

Groups	Number of enterprises	Number of employees	Social capital (billion Lei)	Social capital in Euro
0-9	369,016	459,210	236	8,511,559
10-49	28,820	564,651	201	7,249,200
50-249	6,690	700,072	399	14,390,305
Total	404,526	1,723,933	836	30,151,064

Source:CNIMMC

One can notice that the enterprises with up to 9 employees hold 26.63% from the total employees of the SMEs and 28.22% from the total social capital while the enterprises that have between 50 and 249 employees hold 40.60% of the total of employees and 47.72% from the total social capital of SMEs. One also notice a strong connection between the weight of the social capital and the number of employees within the groups of SMEs.

As regards the type of property, 99.3% of the enterprises have complete private capital. The SMEs with public and mixed estate represents less than 1% so we can conclude that the SMEs are based in a great extent on the private capital. Only in the middle-sized enterprises the mixed capital represented 10.6% in 2001 and within it, the public capital was of 3.1%.

1.4.2. Total turnover

According to the data furnished by ANIMMC, in 2001 the total turnover of SMEs was 916,041.3 billion lei (that is 33,037 millions Euro) and in 2002 was 1,513,528.6 billion lei (44, 036.3 millions Euro).

The distribution of enterprises according to their economic outcome. The 404,526 enterprises were classified according to the outcome of their activity in three classes:

I – with losses; II. – without profit; III. – with profit (Table 6).

Table no. 6

The distribution of enterprises according to their economic outcome

Groups of enterprises	Enterprises without profit	%	Enterprises with profit	%	Enterprises with losses	%	Total	%
0-9	72,483	19.65	145,920	39.54	150,613	40.81	369,016	100
10-49	52	0.18	20,698	71.82	8,070	28.00	28,820	100
50-249	8	0.12	5,167	77.23	1,515	22.65	6,690	100
Total	72,543	17.90	171,785	42.46	160,198	39.60	404,526	100

One can notice a positive situation at the level of SMEs (Table 7).

Table no. 7

Average values of the profit /losses per company

Group of enterprises	The average loss/ enterprise (Euro)	The average profit/ enterprise (Euro)
0-9	4,070.833	5,931.907
10-49	37,853.527	33,629.927
50-249	299,954.190	147,279.110

The sub-unitary value of the rate profit/losses in the small and middle sized.

1.5. Economic and financial situation of SMEs in regions of development

Table no. 8

The structure of the business figure achieved by the SMEs with private capital in classes of size and regions of development

Region of development	2000				2001				2002			
	Total SMEs	Micro	Small	Middle	Total SMEs	Micro	Small	Middle	Total SMEs	Micro	Small	Middle
Nord-East	10,2	9,9	9,7	11,4	10,0	9,7	9,8	11,0	9,5	9,8	9,3	9,3
South-East	11,0	11,9	10,3	10,5	10,8	11,7	10,2	10,3	9,4	10,2	9,6	8,4
South (Muntania)	10,3	10,2	9,7	11,7	10,3	10,2	9,7	11,3	9,9	9,2	10,0	10,0
South-West (Oltenia)	6,0	6,9	5,6	5,0	6,0	6,6	5,7	5,3	5,2	5,6	5,2	4,4

Tabelul 8 (continuare)

West	8,3	7,4	8,7	8,9	9,0	8,0	9,5	9,7	8,5	7,8	9,2	8,6
Nord-West	1,0	11,1	13,0	11,9	12,6	11,6	13,6	12,8	11,2	10,7	12,9	9,8
Center	1,5	10,5	12,2	12,2	11,4	10,5	11,7	12,5	11,2	10,3	11,3	12,4
București-Ilfov	3,7	32,1	30,8	28,4	29,9	31,7	29,8	27,1	35,3	36,4	32,5	37,1
SMEs Sector	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

As to their total turnover, in Bucuresti-Ilfov, the highest number of SMEs with their turnover over 2,000 million lei (72,131.857 Euro) that represents 35% of the total, the South-West region recording 5.7% (the lowest value at national level).

Table no. 9

The regional distribution of SMEs according to the type of the economic outcome

Region	Number of enterprises	From which the result is:			Total profit (millions Euro)	Total loss (millions Euro)
		Zero profit	profit	loss		
North East (1)	47,275	8,651	18,510	20,114	179.247600	107.11580
South East (2)	53,723	10,610	21,182	21,931	204.133150	133.44393
South (3)	46,468	8,484	20,476	17,508	222.526770	108.55844
South West (4)	36,728	8,625	13,811	14,292	98.820644	56.26284
West (5)	35,204	5,991	14,284	14,929	196.198650	144.98503
Nord West (6)	55,299	9,699	23,528	22,072	250.297540	97.017347
Center (7)	48,921	7,442	21,276	20,203	237.313800	116.13228
Bucuresti (8)	80,908	13,041	38,718	29,149	934.107540	609.51419
Total	404,526	72,543	171,785	160,198	2,322.645700	1,373.02980

Source: CNIMMC

Out of the table it results that out of the total 404,526 SMEs 42.5% registered profit and 19.6% losses the difference of 17.9% recording nil profit.

Table no. 10

The rate of the economic performance of SMEs in regions of development

Region	Number of enterprises	Commercial Rate of Return (%)	Financial Rate of Return (%)	Debt recovery rate (%)	Labor productivity (Euro)
North East (1)	47,275	4.87	31.86	32.91	17,316

Tabelul 10 (continuare)

South East (2)	53,723	5.19	68.69	15.79	19,846
South (3)	46,468	5.66	42.26	29.86	20,291
South West (4)	36,728	4.58	33.66	29.39	18,370
West (5)	35,204	5.85	45.71	24.79	18,081
Nord West (6)	55,299	5.60	45.66	27.69	18,661
Center (7)	48,921	5.31	37.82	30.05	18,707
Bucuresti (8)	80,908	6.78	79.69	13.83	40,752
Total	404,526	5.84	52.11	21.60	23,071

Source: CNIMMC

The best evaluated proper capital is in region 8 (79.7%) and the worst in the region 1 (31.86%). The degree of covering debts is relatively reduced at national level (29.60%), the labor productivity is 639.7 million lei per employee at national level (that is almost 23,071 euro), with extremes in North-East (480.14 millions lei – 17,316 euro) and Bucuresti (1,129.195 millions lei – almost 40,752 euro).

Note: The exchange rate in 28.12.2001 was 27,727 lei for 1 Euro.

2. Possibilities for the development of the SMEs sector in the future

The Romanian Government, through the Governing Program for the period 2001 – 2004 concerning the SMEs development on the long run, has foreseen and settled the next goals to be reached:

- the setting up of 760,000 new working places;
- the increasing of the SMEs weight in GDP so they could consolidate their position on the market due to their competitiveness;
- the increasing of the exports with an yearly average rhythm of at least 10%;

A. Financing programs for the SMEs sector

For the fulfilling of these goals for the next period there are foreseen the next financing programs for the SMEs sector:

The scheme of crediting SME – Phare RO9711

- it addresses to: SMEs that intent to invest through acquisition of machinery and installations, and current capital;
- it operates through: Banca Românească, CEC and Ion Țiriac Commercial Bank.

The scheme of financing SMEs

- it addresses to SMEs that want to invest in services sector;
- it operates through Banca Romaneasca.

Programs of financing SMEs that make export

- it addresses to SMEs that make export and/or production to be exported;
- it operates through Eximbank.

Financing programs through credit granting of investments for SMEs - within the Loan Agreement signed between Eximbank and KfW (Germany)

- it addresses to: SMEs with Romanian majority capital that employ in whatever activity sector except primary agriculture and with a good financial situation. They finance investment projects devoted to the acquisition of machinery and tools, working capital and constructions belonging to the investment project;
- it operates through Eximbank, Banc Post, Banca Românească, Robank and Romexterra.

Programs of financing and credit granting for investments for SMEs – within the project of financial banking collaboration between Germany and Romania through KfW

- it addresses to SMEs with a maximum 50 employees that perform activities in production, services and trade sectors;
- it operates through Banca Românească, Banca Comercială Carpatica, Robank, Volksbank, HVB Bank Romania.

Short and medium terms credits for SMEs

- they address to: SMEs that want to finance projects of investments as well as for working and leasing capital;
- it operates through Bank Post.

Facility of financing SMEs – BERD (EBRD)

- it addresses to: SMEs with a maximum number of 100 employees and a yearly total turnover of maximum 40 million Euro and who intent to finance an investment project for acquisition, production equipment, buildings and working capital;
- it operates through Banca Transilvania, BCR, Alpha Bank, Banc Post, Robank, Volksbank, Raiffeisen Bank

B. Programs for micro-loans for SMEs

1. FRAI program

- it addresses to SMEs with a maximum number of 20 employees, at least 1 year of activity and Romanian majority capital and a good financial situation;

– it operates through FRAI together with CAPA Fondation, CHF and OMRO.

2. *Program of micro-credits for SMEs in the rural area*

- center of economic development;
- it addresses to: SMEs in 40 villages in the counties Călărași, Dâmbovița, Prahova and Iași.

3. *Micro-credits for SMEs – German Crediting Technology – micro credits for SMEs*

- it addresses to: SMEs, family associations, authorized natural persons and may access to rapid credits of business, investments and other season credits;
- it operates through MIRO Bank.

4. *Program of credits for SMEs through CHF/Romania*

- it addresses to SMEs, authorized natural persons who wish to finance investment projects and working capital and acquisition of production/commercial spaces
- it operates through CHF/Romania

C. *Programs of financing general interests that may be accessed by SMEs, too*

1. *Through CEC:* credits of credit-line type; inventory financing, account facilities, documents in the collection course, credits for investment;
2. *Through BRD:* Credit-line type credits, credits in lei for account disclosures, credits in Lei and currency for export, credit in lei and currency for investment may be accessed.

D. *Programs for financing non-repayable for SMEs (grants)*

1. *Program for supporting SMEs access to the services of training and consulting*

- it operates through ANIMMC;
- it addresses to SMEs that wish to train and improve personnel.

2. *Programs for supporting the investments in primary sectors*

- it operates through ANIMMC;
- it addresses to SMEs that wish to invest in tools, equipment, buildings and lands.

3. *The Program of Industrial Restructuring and Professional Conversion RICOP- the component “Finantare IMM”*

- it operates through BCR, CCZ and the Ministry of Finance (UIP);

- it addresses to SMEs that perform activity in one of the following counties: Bacău, Iași, Neamț, Vaslui, Brăila, Buzău, Galați, Argeș, Dâmbovița, Teleorman, Dolj, Gorj, Olt, Hunedoara, Vâlcea, Brașov, Covasna to make corporate and non-corporate investments.
- 4. *Special program of Pre-adherence for agriculture and rural development (SAPARD)*
 - it addresses to SMEs, private agriculturists, authorized natural persons, for non-repayable financing of some components of eligible costs according to the specific of each measure applied within SAPARD;
 - it operates through the Regional Bureaus of Implementing the SAPARD Program.
- 5. *Program of assisting SMEs*
 - it addresses to SMEs that wish to develop activities of promoting export;
 - it operates through ANIMMC.

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