STATEMENT OF SME's IN ROMANIA AND OTHER COUNTRIES IN CENTRAL AND EASTERN EUROPE

SITUAŢIA IMM-URILOR DIN ROMÂNIA ŞI A ALTOR ŢĂRI DIN EUROPA CENTRALĂ ŞI DE EST

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Abstract: *micro, small and medium enterprises (SMEs) play an essential role in the economy of a country. They are a source of entrepreneurial skills, innovation and job creation. It's unique their ability to apply, adapt and disseminate new technologies, as well as to create and develop. In this paper the authors present the current situation of SMEs in Romania compared with those from other countries in Central and Eastern Europe and the major problems facing SMEs in the current period.*

Key words: *small and medium enterprises, financial crisis, workforce*

INTRODUCTION

In Romania, like many other countries from Central and Eastern Europe, the transition to the market economy has meant, in essence, the evolution of two components. One is the transfer of ownership of enterprises from state to private individuals, the so-called process of privatization, whatever was the applied method. And the second one is the appearance of new private enterprises, as a result of some private initiative, independent, which arose following the changesof the state-owned units.

RESULTS AND DISCUSSION

Small and medium enterprises (SMEs) play an important role in the markets of Central and Eastern Europe; they bring an important contribution to GDP of any country in the region.

The financial crisis has affected the smooth operation of SMEs for which the reducing of domestic and external demand, the reducing of the market liquidity and tighter credit conditions, have had disastrous effects often leading to the bankruptcy. With the exception of Poland, where the number of bankruptcies in the first nine months of 2009 remained below 1000, in the all others EU Member States, the recession led to the closure of many SMEs.

Romania is by far the most affected; given that in the first six months of 2009 over the 100,000 SMEs went bankrupt, out of the total of 600,000 registered SMEs.

Table 1

Comparative trend of the number of the suspensions, dissolution and canceled

2008 - 2009

Specification	**2008**	**2009**
Voluntary canceled	43.615	17.676
Dissolution	18.766	3.762
Temporary suspension of activity	12.019	133.362

Source: http://www.address.org.ro/art_18032010.htm

During the period January to December 2009 a number of 133,362 companies have temporarily suspended their activity, representing an increase of 1009.59% from the same period of 2008, when it has recorded a number of only 12,019 applications. The most requests for the suspension of activity was recorded in Bucharest (20 067) and in the counties of Cluj (7913), Brasov (6190), Bihor (5581), Constanta (5165), Timis (5042) and Iasi (4752) and the fewer requests was recorded in Giurgiu (839) Teleorman (883), Mehedinti (907), Ialomita (924), Calarasi (1086), Covasna (1157) and Tulcea (1226).

In 2009 a total number of 18,766 companies have applied for the dissolution, increasing by 398.83% compared to 2008, when the number of voluntary dissolution was only of 3762 to the country level.

The number of voluntary removals during 2009 was 43,615, up 147% compared to 2008, when it has recorded a number of 17,676.

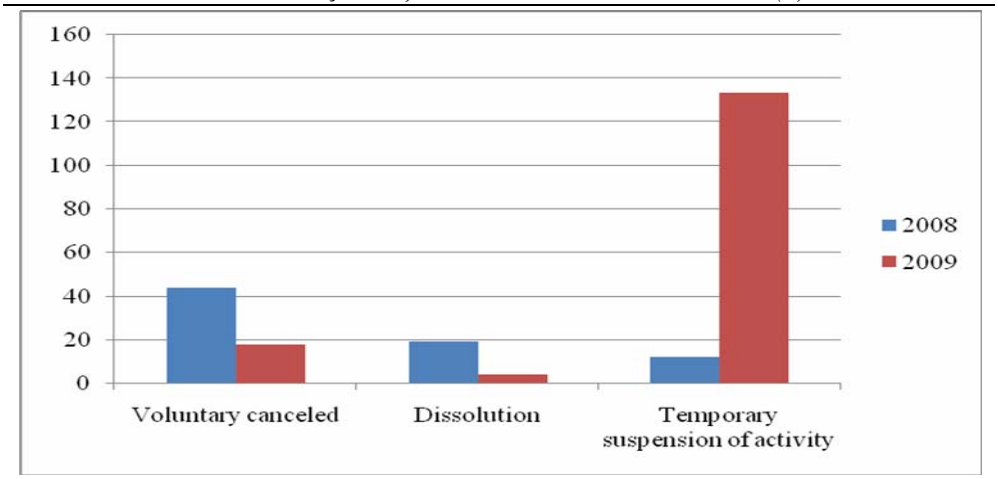


Fig.1 A comparative evolution of the number of suspensions, dissolution and canceled during the period 2008 to 2009

Table 2

Comparative trend of the number of suspensions, dissolution and voluntary canceled during the period 2009 - 2010

Specification	**2009**	**2010**
Suspensions	1358	6000
Voluntary dissolution	351	829
Voluntary canceled	2975	3177

Source: http://www.address.org.ro/art_18032010.htm

By the total of the more than 112,000 of companies that have suspended their activity only in the first nine months of 2009, for the rest of 26,000 active companies the leading cause of suspension of their business was the introducing of the flat-rate tax. Please note that by closing those companies, 56,000 people were directly affected by job losses and at the same time the state has lost from the state budget revenue of about of 100 million.

Although the optimistic forecasts have been handled during the year 2009 from the authorities and from the business environment on economic developments in 2010, the same downward trend is also found in January of this year compared to the same month on 2009. In January 2010 the number of companies that have suspended business activities increased by 341.83%

(6,000 in January 2010 compared to 1358 in January 2009), that of voluntary dissolution increased by 136.18% (from 351 in January 2009, from 829 in January 2010), while the removals by 7% (3.177 in January 2010 compared to 2975 in January 2009).

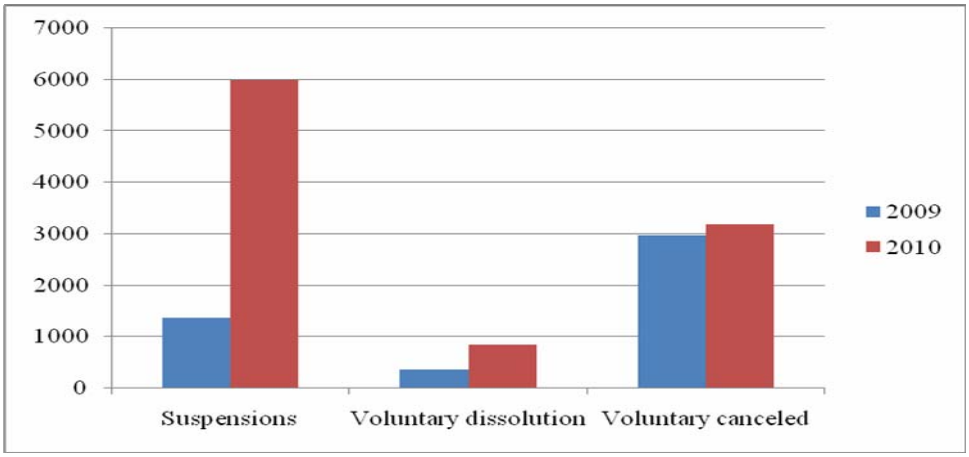


Fig. 2 Comparative evolution of the number of suspensions, dissolution and voluntary canceled during the period 2009 to 2010

For remain on the market, those companies have resorted to various cost reduction measures, such as layoffs, wage cuts, reduction of working time, reduce of the administrative costs. Those measures, announce the Union of Czech SMEs could save many companies from bankruptcy in 2009, but the survival in 2010 will be very difficult unless it will notice an improvement on the economic situation.

All these measures are likely to remain inconclusive if in the near future the product demand will not recover and banks will not open the door for the credits. In Poland, approximately 65-70% of all banks have reduced the access to credit in the second quarter in both the short and long term planning for SMEs and planning to maintain those drastic measures for the third quarter too, even though the demand for grants has increased, according to a study by Central Bank.

The appropriations of that have benefited those companies before the crisis remained only a memory now.Although the small companies show a

degree of flexibility, they do not offer the same level of security for banks like the large corporations. SMEs represent every state in Eastern Europe the main driver of economic growth, contributing at least 50% to GDP.

The sector of the SME underpins of the creation and development of a modern and dynamic economy, focusing on knowledge. The Sector of the national economy can make a substantial contribution to GDP, can increase employment opportunities and can stimulate the growth of exports.

Table 3

Economic indicators representative of SMEs by country

Specification	ROMANIA	POLAND	HUNGARY
Contribution to GDP (%)	70	50	50
% of employment in SMEs	30	70	60
Number of SMEs	600.000	3.500.000*	340.000

* *data for year 2006;*

Source: data processed in accordance with Article "IMM-urile, motoarele economiilor din Est", Ziarul financiar, Octombrie 2009

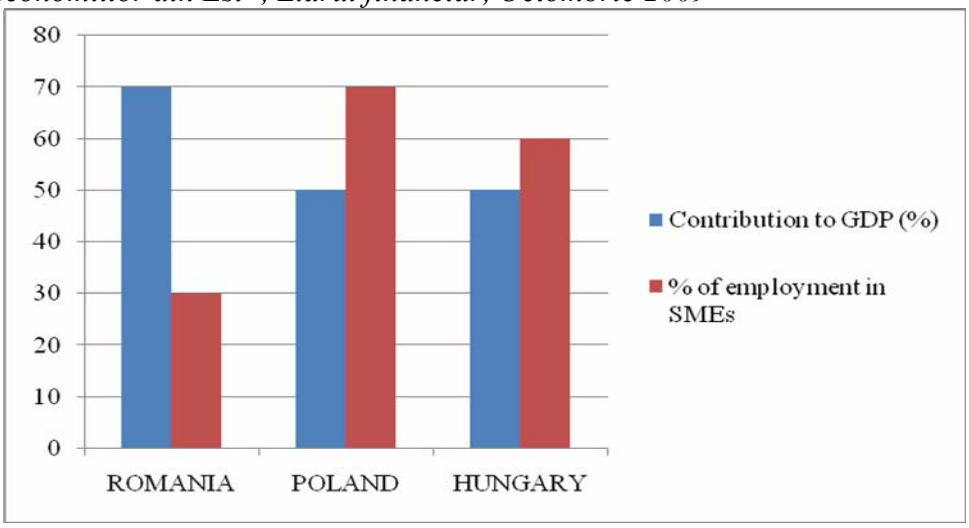


Fig. 3 Economic indicators representative of SMEs by country

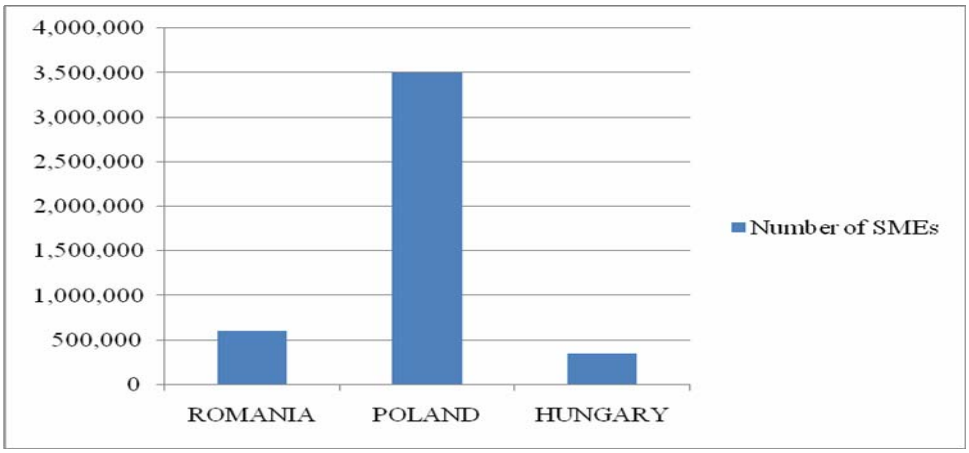


Fig. 4 Number of SMEs by country

In Romania, the SME contribution to GDP in the year 2009 was approximately 70%, In Poland the SME contribution has 50% to the gross domestic product, to a market estimated at 38 million consumers in Hungary 50% of total production GDP is made by the SMEs and their contribution to GDP and in Czech Republic the contribution of SME is 80% of the state, this representing the main driver of economy.

In Romania, over 30% of the workforce is employed in SMEs, in Poland 9 million people and 70% of the workforce is employed by SMEs - companies with fewer than 250 employees, and in Hungary 60 % of the active labor force, 1.1 million people that are employed in SMEs - companies with up to 249 employees.

In 2009 in Romania there were 600,000 SMEs. In Poland around 3.5 million SMEs and in Hungary 340,000 SMEs(official number at the end of 2008).

In the first half of 2009 the SME sector has been hit by lower consumer demand and tighter credit conditions in most former communist countries.

SMEs in Hungary have been affected by the evaporation of demand and reducing access to financing, but unlike Poland, the current situation has not improved. Industrial production continues to be 20% lower than in 2008, and the SME's has decreased by one fifth.

In the present too, access to credit is the main problem faced by SMEs sector in most European countries. Lack of funding will lead to postponement or cancellation of investment plans

To support the SMEs sector is necessary to have a dedicated government , specialized and strong to deal with SMEs which representing 99% of the total number of enterprises in Romania, the existence of an relevant ministry and agency representing one good practice, which should be continued and developed.

Although SMEs have an overwhelming role in national economic growth in the current period they are most affected by financial crisis and global economic and national.

CONCLUSIONS

In conclusion, we can note that the major problems faced by SMEs are:

- the underdeveloped entrepreneurial culture and result in an insufficient degree of absorption of labor specialized / qualified;
- insufficient promotion of the financial instruments, such as venture capital and the credit guarantee fund which is targeting the SMEs;
- lack of some mechanisms and systems to enhance the technological capabilities of the SMEs from the priority development areas.

Troubleshooting listed require one more active involvement of the central and local public administration, of the financial and banking institutions, projects aimed at developing small and medium enterprise sector. The effort and cooperation of those involved will have the effect of increasing the number of small and medium enterprises, promoting them in various fields, improving the welfare of municipality and region in which it operates.

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