THE IMPACT OF THE CRISIS ON THE SMALL AND MEDIUM ENTERPRISES

IMPACTUL CRIZEI ECONOMICE ASUPRA ÎNTREPRINDERILOR MICI ŞI MIJLOCII

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Abstract: *The study analyzes the impact of the crisis on the small and medium enterprises from Romania during 2008 – 2010.*
In the study we analyze:
- The situation of the small and medium enterprise sector at national level during 2008 – 2010;
- The major problems of this sector and of the Romanian business people, their concerns.

Key words: *enterprise, business person, recession, dimension, activity*

INTRODUCTION

All the areas of enterprise activities have problems and in order to solve them it is necessary to fulfill some activities:

- To choose the products/activities which will represent the activity of the enterprise,
- To procure the necessary resources,
- To allocate them to different destinations,
- To establish the level to which to extend the activity volume,
- To choose the markets where to trade the respective products/services,
- To establish the profit and its destination, etc.

In order to measure the dimension of an enterprise we take into consideration quantitative and qualitative criteria:

- **quantitative:** sales volume, number of employees, profit;

- **qualitative:** certain level of productivity, certain economical level of the company, a certain level of behavior.

P. Drucker said that "The small businesses represent the main catalyst of the economic growth". These small businesses largely contribute to the realization of important objectives of any national economy. There is no specific definition of the small and medium enterprises. In order to be considered small/medium a business should fulfill some criteria. For the definition of small and medium enterprises we should take into consideration the following aspects:

- the dimension of the business: the turnover, the social capital, the number of employees, the profit (the most frequently use criterion is the number of employees).

- the management unit: the statistics show that 45% of the small and medium enterprises were created and managed by the same person.

The economic crises managed to destabilize the balance (fragil in some countries) which existed in this sector.

MATERIAL AND METHOD. RESULTS AND DISCUSSIONS

In the current structure of the Romanian economy, the small and medium enterprises sector constitutes a remarkable presence with important contribution in the support of the national budget but with modest situation and results.

In Romania, according to the law no 346/2004, the classification of the small and medium enterprises is the following:

- up to 9 employees: micro - enterprises
- between 10 and 49 employees: small enterprises
- between 20 and 249 employees: medium enterprises

which have an annual turnover up to 8 million euros or total actives up to 7 million euros. These enterprises can be created with any kind of activity. Generally speaking we can define two types of small and medium enterprises:

1. The small traditional enterprise – which usually does not have a long term strategy, has a trade market and the goods processing methods and potential development line are passed from generation to generation.

2. The new type of enterprise (the modern enterprise) – uses high technology, seeks new markets, is oriented to the creation of products better

adapted to their destination, high quality products with high quality services related mainly to reliability, resistance and finishing.

Table 1- Approaches in the definition of small and medium enterprises

No	Approach categories		
	Criteria	General description	Main characteristic
1	Economical area	Undifferentiated	Establish the same criterion or criteria of definition for all small and medium enterprises in all economical sectors
2	Number of used indicators	Differentiated	Establish different criteria for the definition of the small and medium enterprises according to the activity domain (industry, trade, transportation, etc)
		One-dimensional	Define the dimension of the small and medium enterprises based on one indicator; the most frequently used is the number of employees.
		Multi-dimensional	Define the dimension of the enterprises based on several indicators: the most frequently used are thenumber of employees, the turnover and the social capital.

Source: Annual report concerning the small and medium enterprises - 2008

In present time, the small and medium enterprises play an important role in the economy due to the following reasons:

- the flexibility of the structures which provides a high capacity to adapt to the economical environment fluctuations;
- can be easily integrated in a regional industrial network, contributing on one hand to the economical development of the respective region and on the other hand to the decrease of unemployment and to the increase of living standards;
- their small dimension contributes to avoid the excessive bureaucracy at individual level form an assembly which is more easier to control/manage.

The economic crisis (started in 2008) was resented also in our country, with significant effects on the small and medium enterprises. The analysis of small and medium enterprises at national level with the data provided by INS helps us to draw the following conclusions:

Table 2- Enterprises per national economy activity (number)

Activity	**2008**	**2009**	**2010**
Total	532.688	517.870	468.561
Where			
- processing industry	56.407	53.909	48.214
- constructions	59.195	59.990	49.224
- wholesale and retail trade	213.945	197.440	181.753
- hotels and restaurants	23.631	26.151	24.379

Source: INS – Romanian Annual Statistic 2010

- during 2008 – 2010 the number of enterprises at national level decreased with 64127 companies;
- decreases were registered in all areas, with slight increases in 2009 in the area of constructions, hotels and restaurants.

These enterprises insure a large number of jobs. The percentage of employees from these enterprises related to the total number of companies from industry, constructions and trade in the same period is the following:

Table 3 - % of employees from the small and medium enterprises related to the total employees (%)

Activity	2008	2009	2010
Total	**65,8**	**66,3**	**65,9**
Where			
- processing industry	54,7	56,3	55,7
- constructions	77,3	79,1	78,3
- wholesale and retail trade	84,2	83,5	83,5
- hotels and restaurants	88,4	89,5	89,3

Source: INS – Romanian Annual Statistic 2010

The percentage of the turnover realized by the small and medium enterprises related to the total turnover of the enterprises from industry, constructions, trade and services registered a decrease both in total and for the main activities.

Table 4 - Small and medium enterprises turnover related to the total turnover of the companies from industry, constructions and services (%)

Activity	**2008**	**2009**	**2010**
Total	61,0	60,3	59,4
Where			
- processing industry	39,7	41,4	38,2
- constructions	73,7	75,1	75,1
- wholesale and retail trade	76,3	73,8	74,2
- hotels and restaurants	83,8	84,6	84,3

Source: INS – Romanian Annual Statistic 2010

Analyzing the indicators, the turnover and the direct exportation of the small and medium enterprises during 2009 – 2010 related to the total economy, the situation is the following:

Table 5 - Main indicators of the small and medium enterprises – millions lei per current prices

Dimension class	Turnover	Direct exportation
2009		
Total	**852.424**	**92.791**
0-49 employees	333.975	8.054
50-99 employees	74.353	6.028
100-249 employees	107.856	13.037
250-499 employees	81.510	10.891
500 employees and over	254.730	54.781
2010		
Total	**900.240**	**123.241**
0-49 employees	338.323	9.124
50-99 employees	77.109	6.442
100-249 employees	119.216	18.841
250-499 employees	87.256	13.453
500 employees and over	278.336	75.381

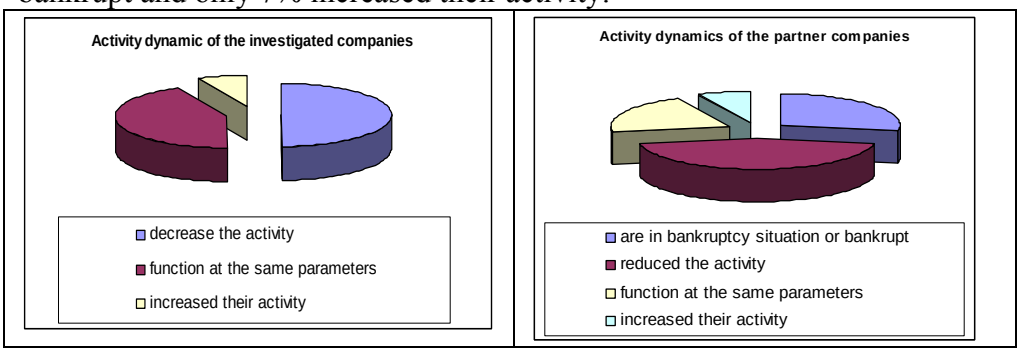
Source: INS – Romanian Annual Statistic 2010

In order to highlight the Romanian small and medium enterprises situation, the analysis of the statistical data is not enough, therefore we analyzed also the current situation of these enterprises based on the information provided by the National Council of the Small and medium private enterprises from Romania.

According to this information, from the data analysis of the investigated companies (a sample of 1485 companies from all the regions of

the country), related to the economical crisis we can notice the following aspects:

- during October 2008 – march 2007 almost half of the companies participating to the survey reduced their activity, only 10% declared an increase of the activity;
- analyzing the activity of the partner companies (suppliers, clients, different collaboration relationships), the investigated companies declared that almost 28% of their partners are in bankruptcy situation or bankrupt and only 7% increased their activity.



If we analyze the situation of the small and medium enterprises according to the creation date we can notice the following situation:

– young companies (less than 5 years) function at the same parameters or registered an increasing evolution compared to the situation before the crisis;

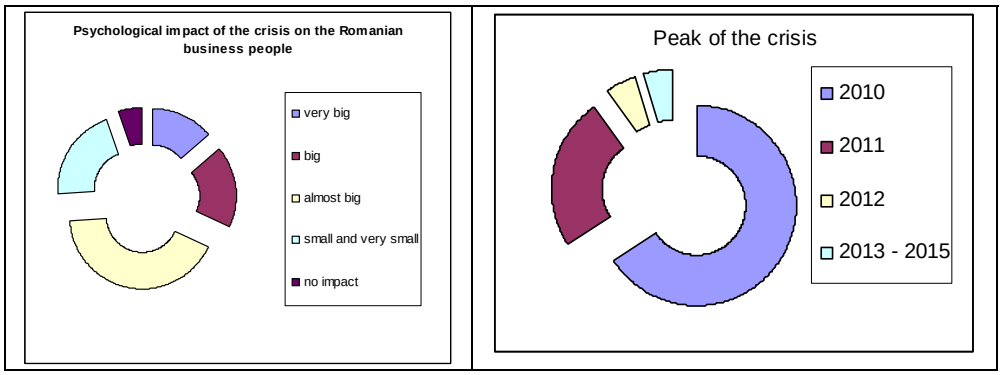
– companies with 10 to 15 years most of them reduced their activity.

The analysis of the companies according to their size shows that increasing the size of the company has as result the decrease of the vulnerability related to the unfavorable economical evolution.

According to the juridical organizational form we can make the following statements:

- S.A. increased their activity or function at the same level;
- SRL- have the highest percentage related to the decrease of the activity volume or function at the same parameters
- other forms of organization – have the lowest percentage of the enterprises with an ascending evolution.

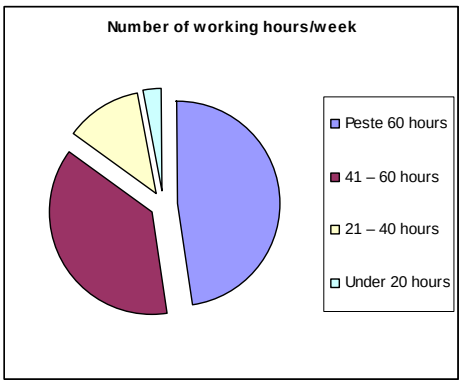
The business people were affected in a psychological existence way and the effects of the economical crisis. The psychological impact of the crisis on the business people can be shown as follows:



In 2010 there was a survey with a sample of 850 enterprises from 21 counties. Here are the main characteristics of the Romanian business people:

Table 6 - Characteristics of the Romanian business people

No	Parameter	Characteristic elements
1.	Age 30,5 between 31-40 years 30,7 between 41-50 years	Mature persons and average age persons are predominant
2.	Sex	The business men represent the majority with a percentage of 75,5%
3.	Professional skills	Business people with technical skills (48,3%) and economical skills (27,6%) represent the majority
4.	Experience in the professional activity	Over 60% of the business people have more than 10 years experience
5.	Civil situation	Married business people represent over three quarters
6.	The present business domain	Trade is the most frequent – over 65%
7.	Involvement level of the business people families	High, in over 60% of the enterprises
8.	Owned capital	Over 50% of the business people have one or more business partners
9.	Efforts	More than half of the business people work over 60 hours per week;



CONCLUSIONS

– during October 2008 – March 2010, 49,7% of the investigated companies have decreased the activity volume, 42,99% function at the same parameters and only 7,30% registered an ascending evolution;

– most of the companies which decreased their activity are 10 to 15 years old (57,38%); those functioning at almost the same parameters are under 5 years old;

– 41,7% of the investigated business people consider that in the analyzed period were affected by the severe recession.

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