

PROSPECTS REGARDING THE DEVELOPMENT OF ENTREPRENEURSHIP AND THE CONTRIBUTION OF SME'S TO REGIONALLY ECONOMIC GROWTH

Diana, Tănase¹
Suzana, Demyen²

Abstract:

Romanian business environment is constantly changing, recording successive fluctuations, both in terms of growth and those regarding the "performance" factor. As a result, the development of entrepreneurship has transformed over the last decade in a process generating economic growth and welfare, while the results were correlated with a number of social and technological progress. The present paper aims therefore to describe how encouraging entrepreneurship, at both national and regional level, can help ensure sustainable economic growth. It has been followed, also, the regionally dynamics of SMEs, in the idea of determining the main influences that ensures positive economic results.

Keywords: *SME, entrepreneurship, economic growth, business environment.*

JEL: L26, O12, R11

Introduction

During the recent years, entrepreneurship has become an independent activity, but also a challenge, turning into a field of study taught in the most prestigious universities in the world. It assumes the existence of specific qualities, but involves as well a number of risks, the overall development being influenced by a number of factors, both at micro economical and macro economical level.

On a more competitive market, where firms are set up and removed with increasing rapidity, it is necessary to identify those criteria that encourage business development and simultaneously generate growth.

The evolution of any economy implies the existence of a series of successive phases of growth, respectively decline, in each of these businesses being characterized by different levels of sensitivity to change. The main exponents are the small and medium sized enterprises, and thus this level of sensitivity is manifested mainly by numerical growth rate of profit, materials costs, namely the development of human resources staff. Human resources are vital to the production and dissemination of knowledge, the availability and capability representing the essential elements of the entrepreneurial economy (Andres S, 2007, p. 15).

The entrepreneurial skills are a must for success, the rapid changes observed on the market requiring a series of forecasts and development of long-term strategies in order for the organizations survival. Entrepreneurial activity plays an important role "in the process of health protection, development of education," their achievements provide society with wealth, jobs and diversity of choice for consumers" (Manciu, Tanase, Nițulescu, 2010). Thus, the development of entrepreneurship is considered simultaneously as a solution to reduce unemployment (Post Privatisation Foundation, 2013), a worldwide comparison showing different percentages regarding people who "prefer to be self-employed" (PPF): 55% in America, 71% in China and only 45 % in Europe.

The concept of "entrepreneur" has acquired many explanations, being defined in a variety of manners, Schumpeter considering the entrepreneur as an innovator and a leader

¹ Lecturer PhD, University „Eftimie Murgu” of Reșița, Faculty of Engineering and Management, d.tanase@uem.ro

² Asisstant PhD student, University „Eftimie Murgu” of Reșița, Faculty of Economic Science,

PhD Student West University of Timișoara, Faculty of Economics and Business Administration, suzana_demyen@yahoo.com

(Andres S, 2007, pg. 14). The entrepreneur is the natural authorized person or a legal person that, individually or in association to other authorized natural or legal persons, organizes a commercial society, called enterprise, in order to realize actions and acts of commerce, for the purpose of obtaining profit by realizing material goods, respectively by offering services, by selling them on the market, in conditions of competition. (Law no. 133/1999 regarding the stimulation of private entrepreneurs in the establishing and development of SMEs, Andres S. 2012 , pp. 28).

Overall, however, an entrepreneur is primarily an economic agent whose behavior is to significantly expand its assuming a number of risks, adapting to change, using innovation and also taking into account the present opportunities. We consider further the development of an economic entrepreneurial outlook through the enterprise data segment best represented worldwide: the small and medium sized enterprises.

"Entrepreneurship is multidimensional and even if it can be found in different contexts (economical or other) in all types of organizations, this approach focuses on entrepreneurship within a business context " (Ciurea J, Rîndașu V et al, 2008).

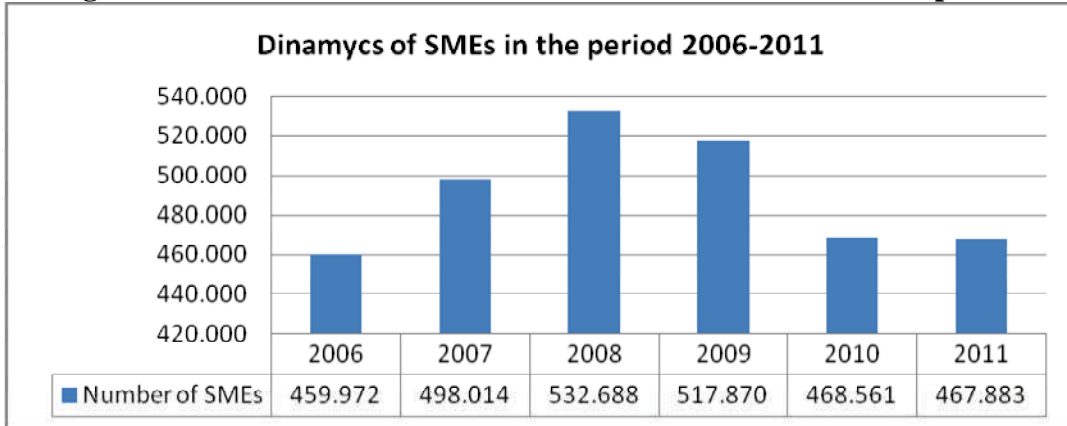
1. Dynamics of SMEs at national and regional level

SMEs, the majority category of enterprises in terms of numbers, have a crucial role within the entire European Union and are considered to be "a key factor for growth, innovation, employment, labor and social integration" (Pâslaru, Modreanu, National Prognosis Commission, 2012), the Europe 2020 strategy emphasizing their role in particular, but also the entrepreneurship in general, taking into account the encouraging of the activity of "small entrepreneurs". However, although the potential for growth and development is a major one, SMEs are dependent in their development process by a number of support elements, mainly financial and legislative. As a category of companies with generally low capital, the center of gravity of SMEs remains the founding entrepreneur or entrepreneurs, as appropriate, whose attention must always be focused on ways to fruition the advantages that appear and also the new market opportunities.

Especially in a period dominated by economic imbalances, the uncertainty regarding firm evolution is an undeniable fact. Companies from various industries are founded at regular intervals but do not guarantee stability and progress through initial success. The business environment is in a continuous change, survival becomes difficult to ensure for organizations. Especially start-ups, but also those with a tradition of many years, require additional support from the State, through which they can "prolong their life" (Pîslaru, Modreanu, 2012). The evolution of the number of registrations for new companies has varied over the period of 2009 - 2011, the highest level being reached at the end of this interval. In 2009 (according to data provided by the Post Privatization Foundation) has been reached a total of 115,841 registrations, with the largest amount taking place during the first quarter of the year (36.211). In 2010 there were 122,744 new businesses founded, especially in the fourth quarter of activity (35,450) , while during the year 2011 the number of new firms increased at a maximum of 133 496, the corresponding of the second quarter being 39.295 enterprises (Statistics offered by the National Trade Register Office). According to the National Trade Register Office, the main areas of activity, with the highest rates of new firm registrations in 2011 were trade (28.7 % and 37,336 firms) and agriculture (15.7 % and 20.432). A total suspension of work continued in 2011, this being "the primary form of exit from the market" (Post-Privatization Foundation study, 2012) .

The dynamics of small and medium sized enterprises during the period 2006-2011 can be illustrated as the following chart:

Figure no. 1. Evolution of the number of SMEs in the 2006-2011 period



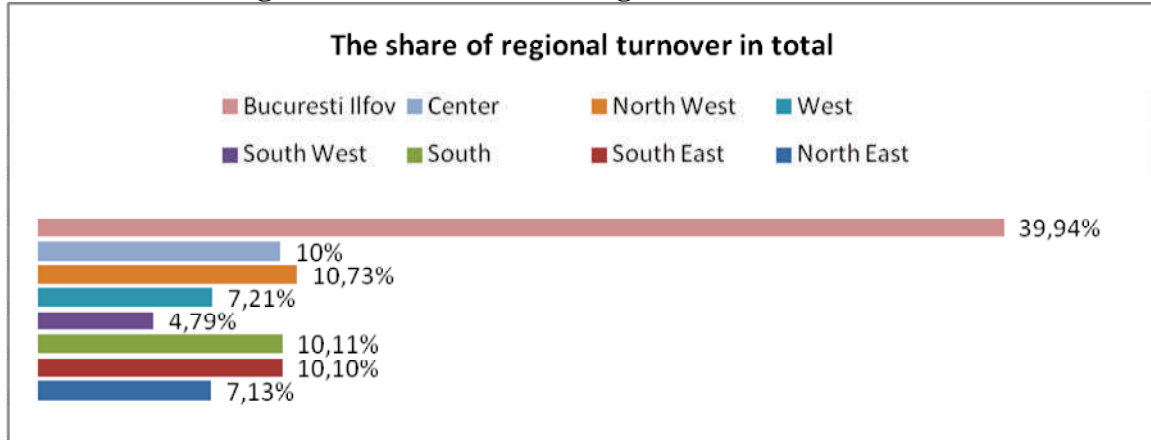
Source: The White Book of SMEs, 2013

We conclude therefore that the highest number of SMEs corresponds to the year 2008 - 532688, while the 2011 is among the lowest values. We thus observe that in parallel with the evolution of the crisis, the activity of SMEs has decreased significantly, the effects being seen in the number of erasures of companies. According to the data set by the National Council of Private Small and Medium Sized Enterprises, the highest share in total is held by the businesses of Bucharest Ilfov region (23.79 %). Other regions meet only half of this, and their weight varies as follows: 14.21 % - North Western Region, Central Region 12.22 %, 11.83 % South Eastern Region, North East 10.61% , 10.57% in the Southern Region, Western Region - 9.37% , 7.41 % in the South West.

National statistics in 2011 showed an average of 19.72 SMEs per 1,000 inhabitants (SME survey, the National Commission for Prognosis), density varying by county, or region, the highest value being recorded in the city of Bucharest (44.98 SMEs per 1,000 inhabitants) and also in the Bucharest - Ilfov region (43.50 to 1000 inhabitants), in contrast to other regions, where the percentages are much lower (21.80 enterprises to 1000 people in the North West, 20.66 sites per 1,000 people in the central region, 17.66 SMEs to 1000 people in the South West, 12.52 enterprises per 1,000 people in the North East, namely 20.58 firms per 1,000 people in the Western Region) (data according to National Institute of Statistics and the National Commission for Prognosis). Therefore we identify a number of gaps between regions, not only as the number of economic entities, but also in terms of regional performance, number of employees or turnover. These differences remain unchanged during the next year also, the 2012 level being characterized by the following coordinates: Bucharest Ilfov - 65.56 firms per 1,000 inhabitants, North East - 32,60 companies per 1000 inhabitants, West - 30.4 , Center - 30, South East - 26.3, South West - 20.7, Southern Region - 20.3 .

We therefore notice a positive change in the level, regardless of the region of which we speak the most significant increase being registered in Bucharest Ilfov (a difference of 20.58 entities per 1,000 individuals. Simultaneously, turnover from small and medium sized enterprises is distributed uneven nationwide, according to the above data, the national shares in total according being due to the schedule below:

Figure no. 2. The share of regional turnover in total

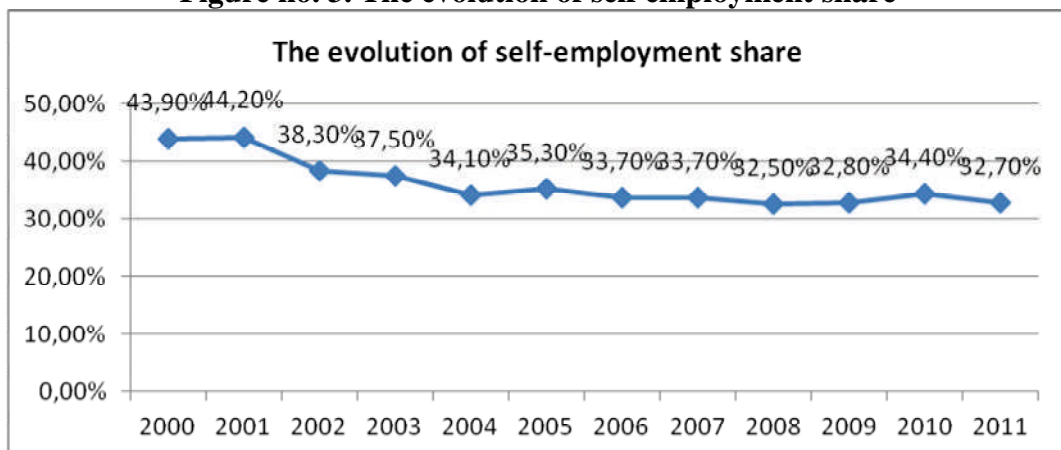


Source: The National Commission of Prognosis

Also in Romania, we identify a lower level of self - employment, compared with the EU countries, the percentage being even lower in 2006 - 2011. Under Romanian law, self - employment (more known under the term "freelancer") (Blanchflower, 2000) is perceived as being represented by individual persons performing certain activities, in this category being included the authorized physical persons, respective associations or family businesses. The main advantage is considered to be one regarding the fees, which reduce their level compared to other alternative business development. This problem determines the question whether individuals who fall into this category of activity could also be considered and entrepreneurs, the main advantages being invoked by practitioners of this method (Dawson, Henley, Lattreille , 2009) :

- The desire for independence, to work on their own;
- Freedom of focusing on a single project or on the contrary, that to address a variety of topics;
- Flexibility of working hours, the lower level of stress;
- No risk of redundancy.

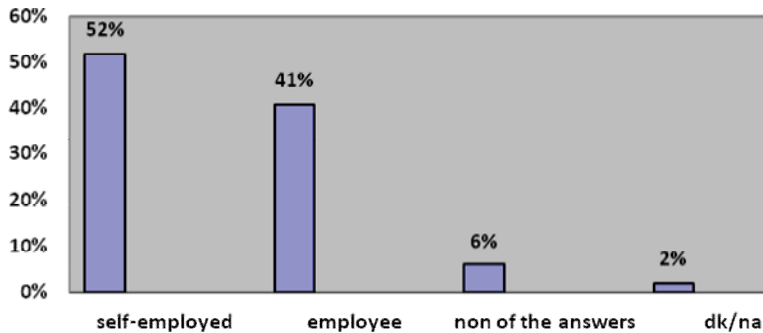
Figure no. 3. The evolution of self employment share



Source: <http://www.indexmundi.com/facts/indicators/SL.EMP.SELF.ZS>

The adoption of the status of self-employed person, or even the one of entrepreneur is perceived differently by each individual. This because the difference in mentality, way of thinking, experience, education and culture are not the same (Meager, Martin Charter, 2011).

**Figure no. 4. Preferences of individuals occupying a position in an organization
– Case of Romania**



Source: The Gallup Organization Survey, 2010

2. The contribution of SMEs to economic growth

Economic growth is defined as "a complex process that can be expressed through its effects, as a growth process of the results of the national economy, both overall and per capita" (Imbrescu, 2011), this term being often associated with the development or economic prosperity.

Other definitions indicate the economic growth process as "the process of increasing the size of the national economy, expressed in terms of their economic results quantitatively determined by combining and input use efficiency, measured by specific macroeconomic indicators in the form of global product, national income or per capita gross domestic product " (Dobrotă N, 1996, pg. 311).

In macroeconomic terms, the main indicators that help assess the level of economic growth are:

- The evolution of GDP;
- The labor productivity;
- Distribution of employment at national, regional or sectorial level.

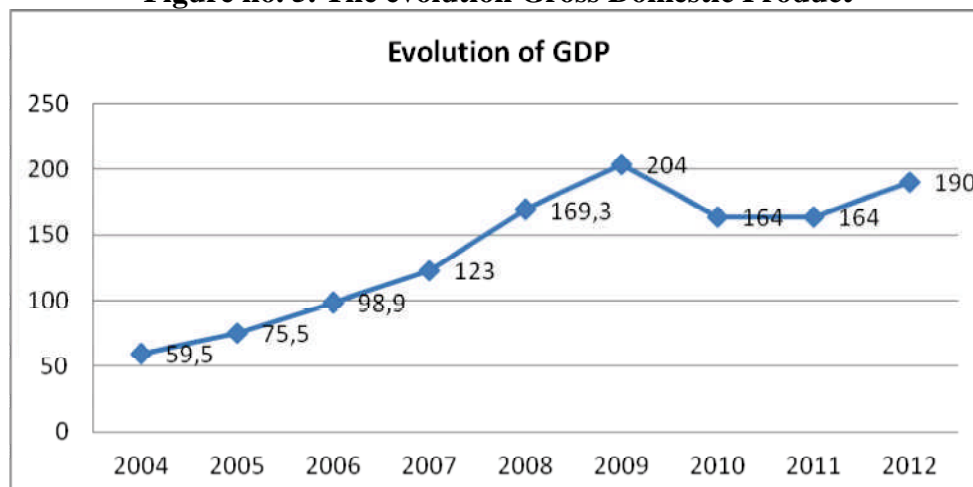
"Economic growth is influenced by direct factors – human potential, natural resources and capital, evaluated on quantitative, structural and qualitative terms, but also indirect factors that act through direct factors, enhancing or diminishing their effects" (Rîndașu, Ciurea, Irimia, 2007).

"The contribution of entrepreneurship to the increase of economic performance, well-being and social cohesion can be easily evidenced by the relationship between the values of the indicators for entrepreneurship and macroeconomic outcomes" (Study Post Privatization Foundation). Therefore, we analyze the dimensions of growth in terms of GDP fluctuations, but also referring to the gross value added.

This last indicator ranged between 2006 - 2011, recording (according to data provided by CNIPMMR, the National Council of Private Small and Medium Sized Enterprises) the following shares: 49.2 % in 2006, 51.4 % in 2007, 52.8 % in 2008, 53.4% in 2009, 50.2 % in 2010 and 50.2 % in 2011.

Analyzing official figures, we find that the share of the private sector's contribution to GDP has fluctuated over time, but did not exceed the value of 71.5 % (Statistical Review). This, while GDP values ranged themselves according to NBR and the World Bank, as follows (values are expressed in billions of dollars):

Figure no. 5. The evolution Gross Domestic Product



Source: The National Bank of Romania, www.bnro.ro
Worldbank, www.worldbank.org

The main indicator of entrepreneurship remains the total number of active enterprises, plus the assessments of the value added contribution (Post Privatization Foundation). According to the National Institute of Statistics, the share of SMEs in total national enterprises is 99.7 % in Romania, almost similar to the European Union level, to which the difference is only 0.1%. Also the human resource included in this category of firm owns a share close to the EU average (65.9 % for Romania, namely 66.9 % in the European Union).

The National Council of Private Small and Medium Sized Enterprises has identified the key areas where it would be possible the personification of business opportunities. Of these, according to the White Book of SMEs, the main directions aim: increasing domestic sales, adoption or assimilation of new products, and encouraging exports or entering new markets. Beyond this, however, it is necessary to adapt to technological developments and technical environment and willingness to partner with other entities in the same area in order to pool resources for generating performance.

Positive finality of SME activity and also the insurance of their contribution to economic growth and development are possible only in the conditions in which the economic, social and political environment is favorable, both nationally and regionally. This implies, however, not only the application of measures in the area of SMEs, but to create a comprehensive framework for entrepreneurship development, including directions that are legislative, economic or fiscal.

It is important to be noted that SMEs are a flexible class of enterprises, more likely to be affected by major changes in the economy, but "they offer advantages that large firms do not offer, but these do not hold employment or growth, but opportunities building advantages in competing for a region or country" (Pislaru, Modreanu, National Commission for Prognosis, 2011).

Regionally, we identify gaps between the levels of development of entrepreneurship, both in terms of total number of firms and in terms of their density.

The effects of entrepreneurship in general, over the regional growth, can be appreciated mainly by analyzing the GDP per capita, but also by the density of enterprises. Studies developed by the National Institute of Statistics identified a positive relationship between these parameters, the values of GDP / capita placing Bucharest Ilfov region (58,000 lei), Western (26,000 lei) and Central Region (22,820 lei) on top.

Conclusions

According to Eurostat statistics, "Romania's economy grew by 0.7% in 2012", future vision given an upward trend, being provided a recovery phase up to 1.6 %. However, the challenges are numerous, stringent measures are needed to support the businesses, so the number of erasures, as well as acts of leaving the market, being stimulated the development of entrepreneurship in the idea of turning entrepreneurship into a "catalyst for economic growth" (Eurostat).

The establishment of new businesses, especially those in the SME category, has encouraged the creation of jobs, entrepreneurship became a solution to high unemployment in the entire European Union.

Currently in schools and universities in particular, the focus lies on shaping an entrepreneurial education, the data provided by Eurostat indicating a 15-20% of the students as the beneficiaries of such programs.

The importance of entrepreneurship is generally focused on the following issues:

- Creating jobs and contributing to the overall economic development;
- Generation of competitiveness;
- Generation of performance and potential;
- Encouraging professional capacity.

However, we identify a number of difficulties that entrepreneurs are forced to confront in the business. The most important is considered to be the access to financing, as long as resources are the "engine" of a company, without which other activities cannot be carried out.

References:

1. Andres Solomia, 2007, *Cultura antreprenoriala/Entrepreneurial culture*, Resita: Eftimie Murgu Publishing
2. Andres Solomia, 2012, *Studiu privind turismul rural transfrontalier si cultura antreprenoriala in domeniul*, Annals of the "Constantin Brancusi" University of Targu Jiu, Economy Series, Issue 2/2012
3. Blanchflower David, 2000, *Self-employment in OECD countries*, [pdf] Available at <http://www.dartmouth.edu/~blnchflr/papers/sdarticle.pdf> Elsevier: Labor Economics, no 7, accessed on 11th October 2013
4. Ciurea Jeanina, Rindasu Venera et al, 2008, *Dezvoltarea afacerilor – practica antreprenoriala de success pentru societatile din Caras Severin si Bor / Business development – successful entrepreneurial practice for the societies in Caras Severin and Bor*, Resita: Eftimie Murgu Publishing
5. Dawson Christopher, Henley Andrew, Latreille Paul, 2009, *Why do individuals choose self-employment?* [pdf] Available at <<http://ftp.iza.org/dp3974.pdf>>, Forschungsinstitut zur Zukunft der Arbeit / Institute for the study of Labor, accessed on 10th October 2013
6. Dobrota N, 1996, *Economie politica/Political economics*, Bucuresti: Editura Economica
7. Manciu Venera, Tanase Adrian, Nitulescu Lavinia, 2010, *Aspects of entrepreneurship in Caras Severin County*, Resita: Annals of Eftimie Murgu University, Fascicle II, Supplement
8. McKernan Signe Mary, Salzman Hal, *Self-employment and economic mobility*, [pdf] Available at http://policy.rutgers.edu/faculty/salzman/1001164_Selfemployment.pdf, accessed on 10th October 2013
9. Meager Nigel, Martin Rose, Carta Emanuela, 2011, *Skills for self-employment: evidence report* 31 [pdf] available at <<http://www.ukces.org.uk/assets/ukces/docs/publications/evidence-report-31-skills-for-self-employment.pdf>>, Institute for Employment Studies
10. Nicolescu Ovidiu (coord.), CNIPMMR, 2013, *Carta alba a IMM-urilor/The White Book of SMEs*, Bucuresti: Sigma

11. Paslaru Dragos, Modreanu Ileana, 2012, *Contributia IMM-urilor la cresterea economica/Contribution of SMEs to the economic growth*, National Commission of Prognosis
12. Rindasu Venera Cristina, Ciurea Jeanina Biliana, Irimia Horea, 2007, *Management antreprenorial si inovator / Entrepreneurial and innovational management*, Resita: Eftimie Murgu Publishing
13. ***Post Privatization Foundation, 2012, *Promotion of entrepreneurship as a key element for economic development*, [pdf] available at <<http://www.postprivatizare.ro/romana/wp-content/uploads/2012/10/Studiu-Antreprenoriat.pdf>> accessed on 6th, 10th October 2013
14. ***Post Privatization Foundation, 2013, *Raportul Fundatiei Post Privatizare privind sectorul IMM din Romania / Report of the Post Privatization Foundation regarding the SME sector in Romania*, [pdf] available at www.postprivatizare.ro
15. *** CNIPMMR, *Strategia Consiliului National al Intreprinderilor Private Mici si Mijlocii din Romania 2012 – 2016 / Strategy of the National Council of Private Small and Medium Sized Enterprises from Romania, 2012-2016*
16. http://ec.europa.eu/europe2020/index_ro.htm
17. www.oecd.org
18. www.worldbank.org
19. www.bnro.ro
20. www.insse.ro
21. www.ec.eurostat.com