

THE IMPACT OF SMES FROM THE EUROPEAN UNION AND ROMANIA IN ECONOMY

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Abstract:

The objective of this paper was aimed at understanding the importance of SMEs in the market economy as the economic engine continues to be the factor that motivates both business and human existence. The yield and quality of the results of a national economy depend largely on the ability to determine the creation and operation of a large number of businesses which provide products and services of quality, cost and reduced prices and quantities and of appropriate requirements domestic and foreign market.

The article deals with the content and structure, activities that are specific to SMEs and how they operate in the market, and how these types of companies influence the economy of the European Union and Romania.

Key words: the role of SME's, European economy, economical growth

JEL classification: F15, O13, Q01

1. INTRODUCTION

In this article I proposed to do a comparative analysis between European SMEs and SMEs in Romania, in the period 2008-2015 based on official statistical data submitted by state authorities. The last decades are characterized by the fastest and with the greatest impact in the evolution of mankind. The article deals with the content and structure activities that are specific to SMEs and how they operate in the market, a comparative analysis of small and medium enterprises in Europe and SMEs in Romania it is presented on the basis of statistical data role and impact that generates SMEs modern market economy

Between economic changes essentially enroll situation of SMEs in the forefront of development, transforming them into the most dynamic economic factor. Recent statistics from developed countries provides us with irrefutable arguments. The largest part of GDP is produced in the small and medium enterprises, so the majority of those employed working in SMEs, as they are only creating new jobs in the last two decades. SMEs have an important place in the national economy and the internationalization of the economy, being the main engine of its recovery. They are an example regarding risk taking and taking the initiative at the same time because they have a relatively small size can adapt more easily to new requirements existing in the moment and ultimately contribute to developing the spirit of entrepreneurship. Moreover, humanity is in the process of transition to a new economy, the knowledge economy. Its main component is the knowledge-based company. Developments so far and the specialists' analysis demonstrates that prototype company based knowledge is small or medium enterprise, incorporating technique and technology, which employs a small number of people, but with training high, whose main resource and vector development it constitutes knowledge, knowledge-based company is usually small, with the defining characteristics, competitive advantage based on knowledge, creativity, dynamism and high flexibility, high capacity to learn and use new knowledge to generate added value.

Small and medium enterprises are the main actors / key players in the modern economy and is the main way to recovery and revival of these. In last time following statistics provided by various institutes, SMEs contributed significantly more to the product GDP of the country, have rectified to some extent problems in terms of unemployment and finally brought technological innovations.

2. THE SITUATION OF SMES IN THE EUROPEAN UNION

In the European Union SME sector is considered to be a major feature of the economy, and while micro, small and medium enterprises are key to entrepreneurial and innovative spirit, these things are essential to ensure the competitiveness of enterprises in the European Union. Thus, since the 1980s, SMEs Incept to be more innovative and more flexible in terms of cost reduction and efficiency were much higher than the size businesses.

Over the past two decades micro, small and medium enterprises have become to be the main engine of modern economy and social development worldwide. Micro, small and medium enterprises are considered to be the most important pillars which are behind the growth and creation of jobs and growth and also increase national and regional competitiveness in a globalized economy.

By early 1996 were considered SMEs enterprises which had a number of employees less than 500, more specifically micro-enterprises had between 1 and 9 employees, small businesses between 10 and 99 employees and medium enterprises between 100 and 499 employees. Thus, until 1996 the only criterion for identifying SMEs was the number of employees. The European Commission in late 1996 stated their new criteria for defining SMEs, which are:

- The number of employees within the enterprise;
- The annual volume of turnover;
- The total balance assets of enterprise;
- The independence of enterprise.

European Commission grouped SMEs into 3 categories:

Type of enterprise	Number of employees	Turnover	Total balance sheet
Micro-enterprises	[0,10)	≤ 2 millions €	≤ 2 millions €
Small enterprises	[10,49)	≤ 10 millions €	≤ 10 millions €
Medium-sized enterprises	[50,250)	≤ 50 millions €	≤ 43 millions €

Table 1. Classification of SMEs

adapted from the European Commission (ec.europa.eu)

SMEs and their sector plays an important role in the modern economy, the SME sector is shown to be the most active sector of the economy.

In 2015, 22.3 million SMEs were active in the non-financial sector. Non-financial sector consists of all economic sectors of the 28 member countries of European Union. From these economic sectors are some exceptions, such as education, health, agriculture, forestry, arts and culture sector and lastly governmental and financial services, SMEs accounting for 99.8% of all enterprises in this sector.

However, in 2015, SMEs in the non-financial sector has generated more than \$ 3.7 trillion in value added (58% of the total value added of the sector) and created jobs for nearly 90 million people being (67% of the total workforce. in a population of SMEs, micro-enterprises are estimated at 92.7% of all enterprises active in the non-financial sector in 2015, the only medium enterprises at a rate of 6.1 % and 1% small businesses.

The share of SMEs in total business population is varying between approximately 99.5% in Luxembourg and Germany and over 99.9 Portugal, Italy and Greece.

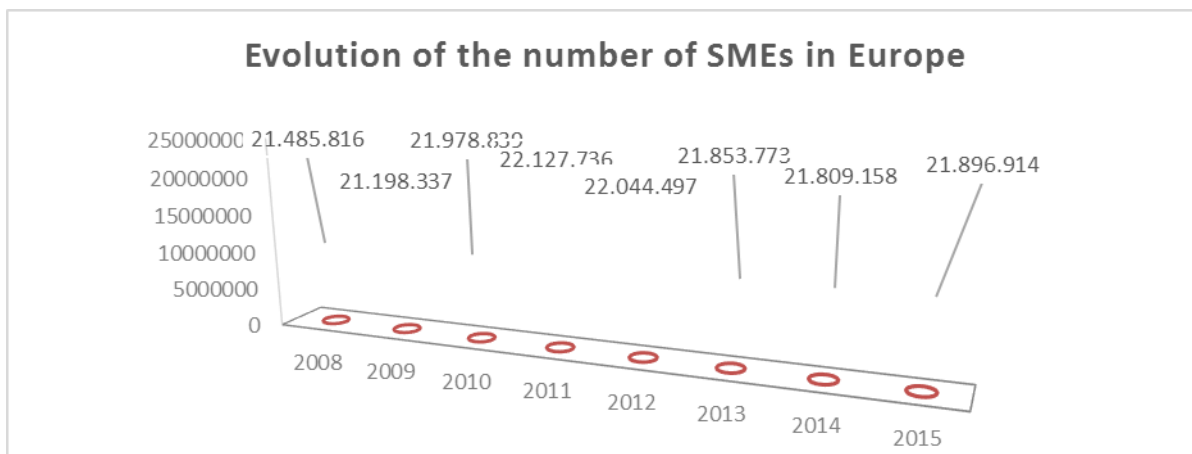


Figure 1. Number of SMEs in Europe in period 2008-2015
(adapted from Eurostat statistics)

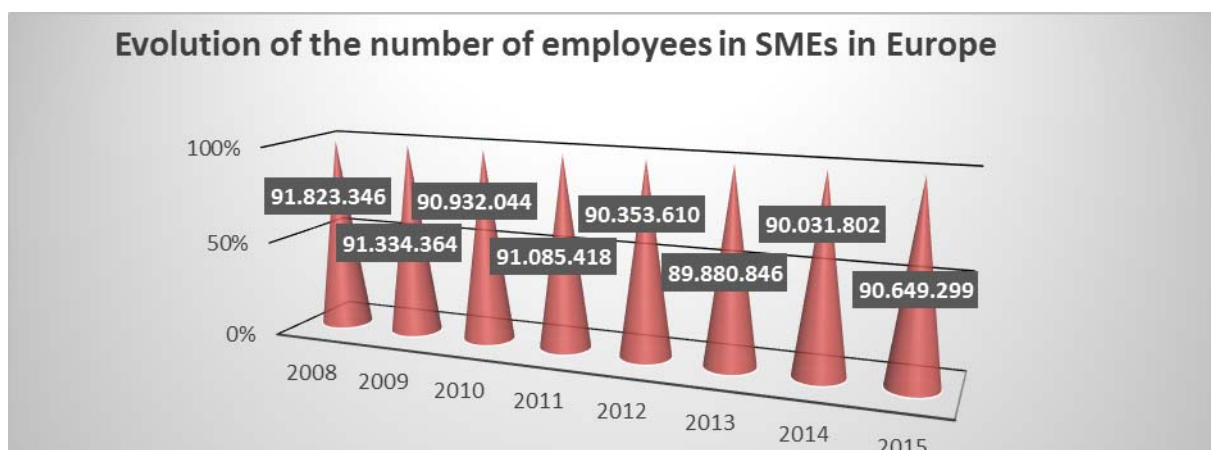


Figure 2. Number of employees in SMEs in Europe 2008-2015
(adapted from Eurostat statistics)

While small and medium enterprises are practically the same percentage of the total number of enterprises active in the Member States, their economic contribution varies greatly. But overall most of the countries of Central Europe are characterized by a large number of SMEs generating one million euro of added value in comparison with countries in Western Europe.

Micro-enterprises play an important role in the Southern and Eastern Europe, countries such as Croatia, Greece, Czech Republic, Hungary, Italy, Portugal, Poland, Spain. Almost all small and medium enterprises are micro-enterprises employing less than 10 people, about three-quarters of SMEs are active in five key sectors, wholesale and retail trade, manufacturing, construction, accommodation and food and services Business. In 2014, SMEs in all 28 member states of the European Union's value added increased by 3.3% and employment by 1.2% compared to 2013 value added increased by 1.6% and employment fell by 0.5%.

However, the positive experiences of 2014 have not been shared by all member states, Cyprus, Sweden, Croatia, Greece, Italy and the Czech Republic showed a decrease in the value added that if Cyprus and Italy was also accompanied by a reduction in employment.

Through five key sectors, business services sector was at a very high level that the value added of the sector increased by more than 5% in 2014. The other four key sectors recorded good growth in value added, having of between 2.7 and 3.4%, but the performance of the employment growth was much weaker, particularly in the construction sector, where employment continued to decline

in 2014 even though there was an increase the value added by 3.4% and manufacturing sector, where employment increased by only 0.8%.

The latest developments in the EU member countries' performance with regard to SMEs reflects a macro-economic improvement and an improvement in the business sector. Not all SMEs have achieved improvements, especially in the construction sector and manufacturing sector, which were hit hard by the economic and financial crisis. Employment of these two sectors was in 2014, 17% of that 11% is below the levels of 2008, while value added in the construction sector remained below 18% compared to 2008, SMEs in the business sector and accommodation and food sector have benefited of robust growth.

The SME sector has contributed disproportionately decline both in employment that occurred in 2008-2013 and subsequent recovery of the labor force because SMEs accounted for 67% of employment in non-financial sector in 2008 and 2013. In those groups, SMEs, small and medium enterprises had a large share in terms disproportionate decline in employment in 2008 and 2013.

The strongest growth SMEs on employment was recorded in the sectors of small size, sectors that managed to record the best performance in terms of job creation, these sectors being energy electricity, gas, administrative activities, consulting services, sewerage, waste management and rehabilitated. These sectors show increasing employment in excess of 10% compared to 2008 and 2013, but they represent less than 10% of all jobs for SMEs. Employment in some sectors higher, such as food services sector, real estate and accounting sector, increased by 10%, 9% and 8% respectively during 2008-2013 these sectors accounting for 8% 3 % and 3% of total employment for small and medium enterprises.

Behind financial and economic crisis, most member countries have adopted measures to improve the access of SMEs to finance, especially bank lending, through subordinated loans advantageous schemes to guarantee loans or programs of microcredit. Many countries support the internationalization of SMEs, as are granted financial support for export promotion, market access strategies and participation in trade fairs.

Globalized markets offer small and medium enterprises in the European Union new business opportunities. Thus, one study concluded that SMEs in Europe are more active in the world than in America or Japan, 25% of SMEs exports to at some point in the past 3 years, with a 13% in terms of exports outside the European Union market. However, in this study it stressed that there is a market that has not been exploited at all, this market having huge potential this market with great potential lies in the BRIC countries, which is estimated to represent around 60% of GDP the world by 2030. currently, only 7% and 10% of exporting SMEs in the European Union on these markets.

To access these markets in third countries, SMEs must have some characteristics suitable to be supported by a policy framework suitable to help them gain a competitive advantage and benefit from a level playing field on removing obstacles, obstacles such as foreign regulatory frameworks and non-tariff barriers. Europe 2020 action has shifted towards supporting small and medium enterprises to become key players in the transition to an effective increase in the use of resources. Even if the market available to SMEs some incentives to improve the way they use resources in a lot of cases the market signals are very difficult to identify or interpret, so small and medium enterprises are facing challenges such as insufficient time, human and financial resources and ultimately insufficient information. That to overcome these challenges, SMEs must have adequate funding, using regional support programs and business support.

SMEs are the main creators of jobs in the European Union, but the economic crisis has caused the extinction of about 3.2 million jobs, thus the implementation of new programs, the Commission will try to regulate the situation and to support the still SMEs and young entrepreneurs who want to start a business.

3. THE DYNAMICS OF SMES IN ROMANIA AND THEIR INFLUENCE ON THE ECONOMY

The economic framework in Romania is dominated by small and medium enterprises, which has a much lower share than on micro-enterprises in the European Union as a whole. Over the past years there has been an increase in start-ups, but in spite of that micro businesses have not had a major impact in the economy, which is still lower than the average, providing only 23% of existing jobs in the private sector and 13 % of economic value added. Romanian non-financial sectors in the economy are characterized by a relatively small proportion of micro-enterprises. Regarding the number of enterprises and the number of jobs, SMEs play a more important role than in other European countries. In Romania the added value generated by SMEs is 50%, which is below the EU average by 8 percentage points. Although the average is below the European Union, the number of jobs to small and medium enterprises fall in the EU average, with 67% of total employment.

The economic crisis has greatly effect the business sector primarily affected were small and medium enterprises, after deduction of real GDP by 6.6% throughout the economic crisis. Thus, the financial sectors have failed to recover fully from the economic crisis, the added value of small and medium enterprises in 2015 was lower by 12 percent than in 2008, although he had a 16% higher than the in 2009. This recovery did not generate an increase in the employment of the workforce, with an increase of only 2% of the number of jobs in small and medium enterprises, on the recession and having to 225 000 fewer jobs in 2015 than before the crisis period.

Finally, developments that have occurred in non-financial sectors of the economy, can vary according to the economic sector, some remained in recession whereas others had significant growth.

A sector that failed to be recovering from the economic crisis is the sector of hotels and restaurants. The added value services being generated in this sector was 19% lower than the value added generated in 2008. Many factors have generated this slow recovery, factors such as:

- the lack of a national strategy of tourism;
- infrastructure is underdeveloped and uncompetitive;
- smaller investments in infrastructure since 2009;
- European standards have not been met by the service industry.

In addition to these factors is added and value added tax (VAT) on accommodation is much higher than that of neighboring countries, so generating a competitively low. To reduce these factors facing Romania, the government proposed to reduce the VAT rate from 16% to 9% for services such as accommodation.

Another sector unlike the services of hotels and restaurants, managed to register exceptional performance. This sector is the production of transport vehicles, road trailers and semi-trailers in the 2009-2015 period did increase the added value of 30%.

The number of jobs in this sector has returned to the level before the crisis. This value added growth was supported by foreign car manufacturers, these manufacturers investing heavily in production capacity in their own factories but also in national factory Dacia.

A significant investment was made by a German company in Sebes to increase production capacity, investment estimated at 300 million euros. In 2012 the value of exports of cars was 16.8 billion euros, which represents 20% of its exports to Romania.

After several years of growth, registering a new company managed to decrease by over 50% in 2009 due to financial and economic crisis. In 2009 there were only 57.085 new businesses registered, this number is very small compared with that of 2008 which was the number 101.527. After 2009 registrations have managed to recover, but they fell again in 2014, when there were only 101.628 new registrations businesses, compared to 124.814.2013.

If there would have involved government downward trend would have been much more pronounced in "SRL-D" program supporting the creation of new businesses that have been numbered 14,000 and also creating jobs in 26,000 starting with 2011.

In 2010 the number of removals was 58.726 being much lower compared to 2013 was 80 786, but this number has managed to fall in 2014 to number 76 483, so it is not clear that the figure in 2014 shows a reversal of the downward trend . Following them was not recorded no change to the negative trend in the number of net new business registrations, specifically the difference between the number of firms radiated and the number of new companies registered. Thus, the net figure dropped continuously from 75 824 in 2011 to 53.857 in 2012 to 44.030 in 2013 and 25.144 in 2014.

For small and medium-sized non-financial sectors of the economy prospects are positive overall. It is worth mentioning that the number of small and medium enterprises in 2015-2016 will increase by 6.2%, so 2016 will create 190 000 new jobs in SMEs, which represents an increase of 7 2 to 2015. In a final outlook on the added value of small and medium enterprises are very optimistic because it is expected an annual growth of 8.5% in 2016.

4. CONCLUSIONS

The role of SMEs is recognized worldwide and their unique contribution to European economic development. First SMEs generate most of GDP of each country is between 55% and 99%. At the same time, small and medium enterprises create most jobs and is a development environment for employees and at the same time stimulates competition, SMEs are taking an active role in creating a competitive economy. Another positive aspect generated by SMEs is that if it were not small and medium enterprises, large companies would have a monopoly on all fields, so they have the greatest dynamism in the context of market economy.

Both countries developing and developed countries realize that SMEs play a vital role in industrial development and economic, it is not surprised that the strategies policies supported SMEs as the engine of economic recovery modern.

Following comparative analysis of SMEs in Romania and Europe is that the SME sector is the most active sector of the economy, 22.3 million small and medium enterprises were active in the non-financial sector in 2015, they generate 3.7 trillion euros and creating over 90 million jobs. The most active non-financial sector in the European Union are five in number, these are the wholesale and retail trade, manufacturing, construction, accommodation and food services and ultimately business services. After the 2008 economic and financial crisis many sectors have recovered much harder SME sector disproportionately contributed a decline both in employment that occurred in 2008-2013 and the recovery force subsequent work because SMEs accounted for 67% of employment in the non-financial sector.

Romania has an economy that is dominated by SMEs, with a much lower share than on micro-enterprises in the European Union as a whole. Regarding the number of enterprises and the number of jobs, SMEs play a more important role than in other European countries. In Romania the added value generated by SMEs is 50%, which is below the EU average by 8 percentage points. Even though the average is below that of the European Union, the number of jobs to small and medium enterprises fall in the EU average, with 67% of total employment.

Regarding the number of enterprises and the number of jobs, SMEs play a more important role than in other European countries. In Romania the added value generated by SMEs is 50%, which is below the EU average by 8 percentage points. Even though the average is below that of the European Union, the number of jobs to small and medium enterprises fall in the EU average, with 67% of the total number of employee. Thus, nine out of ten enterprises are SMEs, and all SMEs generates two out of three new jobs. SMEs also stimulates entrepreneurship and innovation across the EU during the period 2016-2020 the ministry will allocate 189 million euros entrepreneurship, these are structural funds, this is crucial to boost competitiveness and employment for work.

ACKNOWLEDGEMENT

This paper has been developed within the period of sustainability of the project entitled “*Horizon 2020 - Doctoral and Postdoctoral Studies: Promoting the National Interest through Excellence, Competitiveness and Responsibility in the Field of Romanian Fundamental and Applied Scientific Research*”, contract number POSDRU/159/1.5/S/140106. This project is co-financed by European Social Fund through Sectoral Operational Programme for Human Resources Development 2007-2013. **Investing in people!**

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