

THE DYNAMICS OF NEW ENTERPRISES CREATED IN ROMANIA

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Abstract:

The creation of new enterprises is vital to any dynamic economy. Currently, there are many projects that widely promote the start-up of new businesses by reducing constraints. The rationale for policies and the sizing of support for entrepreneurship requires regular evaluations based on relevant measurement indicators. This article's main goal is to capture the changes in the dynamics of new businesses and to provide a profile of new enterprises created in Romania considering the environment of residence, the development region, the field of activity and the size class. The data collected from the website of The National Institute of Statistics, were analyzed from a statistical perspective. The results highlight that over 70% of new enterprises are in urban areas, in Bucharest Ilfov Region or North West Region, in the field of trade or car repair and has no employees or at most 4 employees.

Key words: enterprises, rural, urban, region, economic activities, size class, rate of creation, employees

JEL classification: M21, R30, D21

1. INTRODUCTION

In recent years, European Union countries have constantly allocated resources to start and support new businesses. The initiation of new businesses is manifested in the economy in a multitude of forms that are reflected both in economic well-being and in the reduction of social inequities. Currently, there are many projects that widely promote the start-up of new businesses by reducing constraints. Creating new companies is an essential factor for economic growth and reducing unemployment by creating jobs (Barta et al, 2012, p.66).

The low costs of transmitting the information allowed the easier exploitation of some opportunities, stimulating the creation of new enterprises and the penetration on international markets.

2. LITERATURE REVIEW

Starting a new business is considered a factor that ensures the improvement of the situation of national economies and society in general (Szarek, & Piecuch, 2018).

Entrepreneurs in startups are those individuals who put innovation first. They are those creative, curious and confident people, who see opportunities, who generate ideas and have the passion to put them into practice. Startups also contribute to economic dynamism by stimulating competition (Aakash, 2019).

Entrepreneurship encourages competition by increasing the number of businesses, being a mechanism for "knowledge dissemination" - to other people or organizations and a generator of diversity and variety among businesses in any location (Burns, 2011).

In the literature, some authors believe that entrepreneurship should be considered an important cause of economic growth, independent of other factors (Smith, 2010).

The ability of start-ups to create and maintain jobs, as well as to provide potential good quality jobs, compared to large companies, has attracted the attention of policy makers and decision makers over time. New firms are seen as potential sources of innovative solutions to socio-economic challenges, otherwise identified as EU priorities: inclusive growth, aid for regional

economic development, smart growth, tackling poverty and social exclusion and creating sustainable growth (Eurofound, 2019, p.3).

The determining factor for defining an enterprise is the economic activity and not the legal form of the enterprise. In other words, the concept of enterprises includes self-employed persons, family businesses, partnerships and associations or any other entities that are regularly involved in an economic activity (European Commission, 2015, p.10).

There are several criteria for classifying enterprises: depending on the form of ownership, the nature of the activity carried out, depending on the economic destination, the organizational-legal status, by size (small, medium, large) (Năstase, Popescu, Boghean, Scutariu, 2009).

In Romania, companies are included in the category of micro-enterprises in two important contexts: that of their taxation and that of the opportunity to access European funds for this category of companies. According to the fiscal code, the tax rate is 1% for micro-enterprises that have at least one employee and 3% for those without employees. Companies larger than that pay profit tax, of 16%, or tax specific to their activity (Law no. 13/2019).

According to art. 4 of Law 346/2004, small and medium enterprises are classified, according to the average annual number of employees and the annual net turnover or total assets they hold, in the following categories, as can be seen in the diagram in figure no. 1.

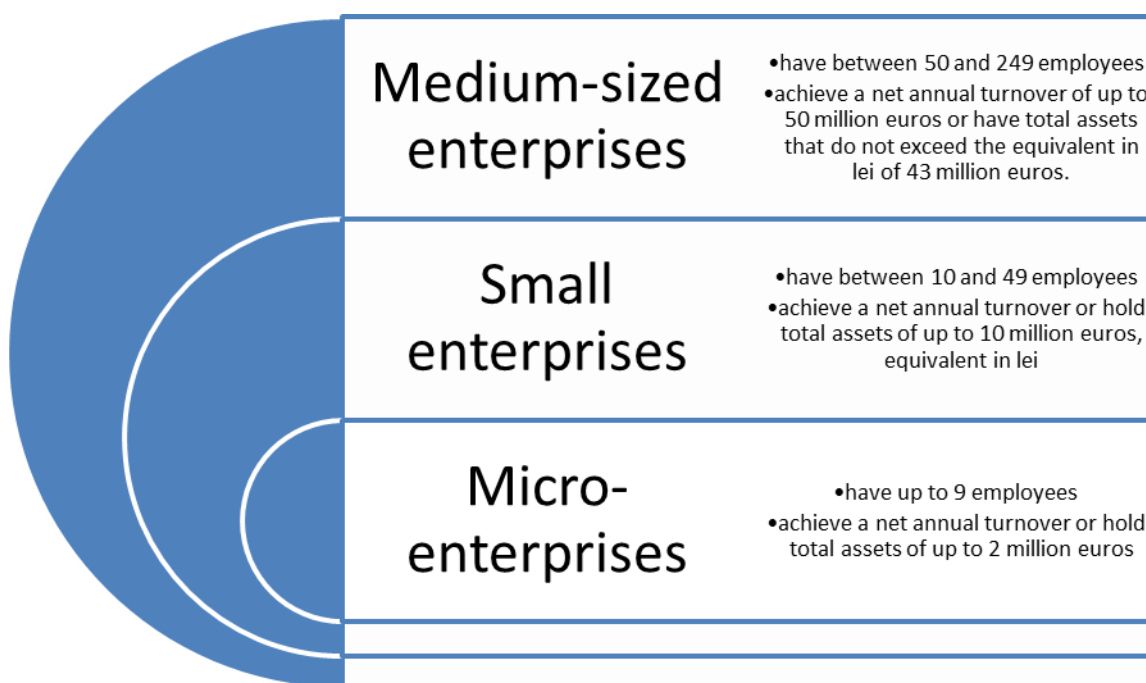


Figure no. 1. Small and medium enterprises

Source: Authors' own elaboration according to Law 346/2004

Recent research shows that there are significant differences in the profile of the founders of newly created enterprises in Romania, by region. The development regions with a higher GDP value have a large share of entrepreneurs who have completed high school or university studies and the motivation for dropping out of a good job and starting a business on its own is lower (Boghean, State, Chașovschi, & Nastase, 2018).

3. RESEARCH METHODOLOGY

The capture of the changes in the dynamics of new enterprises created in Romania was made using the descriptive method. Using the descriptive analysis, the information collected from the website of the National Institute of Statistics was synthesized graphically and numerically, describing the changes in the dynamics and profile of the new enterprises created in Romania. The research analyzed newly created enterprises that include commercial companies and individual

entrepreneurs who carry out non-agricultural activities, created in a certain period of time according to the definition taken from the website of the National Institute of Statistics (INS, 2019).

4. FINDINGS

4.1. THE DYNAMIC AND THE STRUCTURE OF NEWLY CREATED ENTERPRISES

The number of newly created active enterprises fluctuated in the period 2010-2017, with a maximum point of 140083 enterprises in 2011, and a minimum point of 71327 enterprises in 2014, as can be seen in figure no. 2

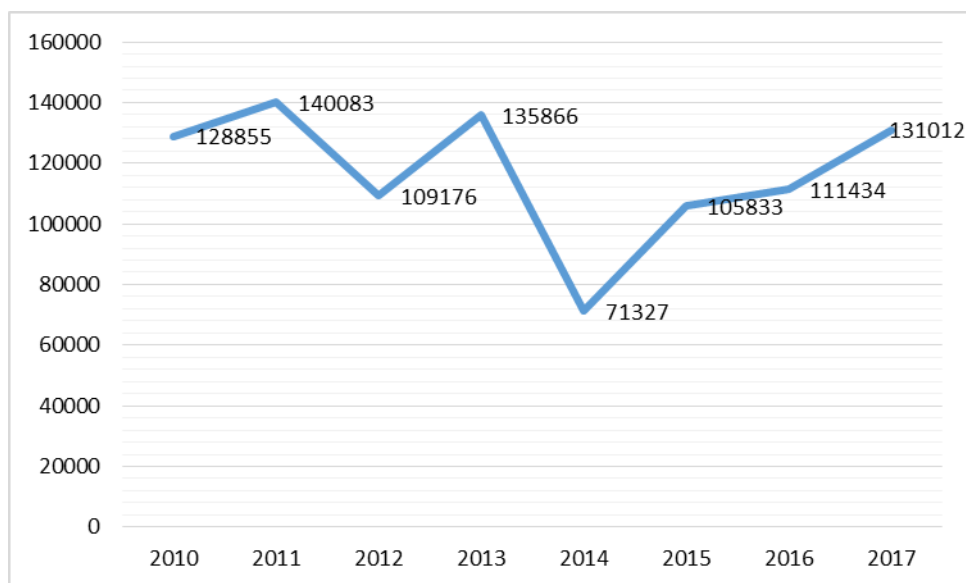


Figure no. 2. Newly created active enterprises in Romania between 2010- 2017

Source: Authors' own elaboration based on data extracted from <http://statistici.insse.ro:8077/tempo-online/>

In 2017, a number of 131012 new companies were established, with 19,578 more than in the previous year, which represents an increase of over 17%. Most companies have been established in the field of wholesale and retail trade, repair of motor vehicles and motorcycles, as can be seen in figure no. 3.

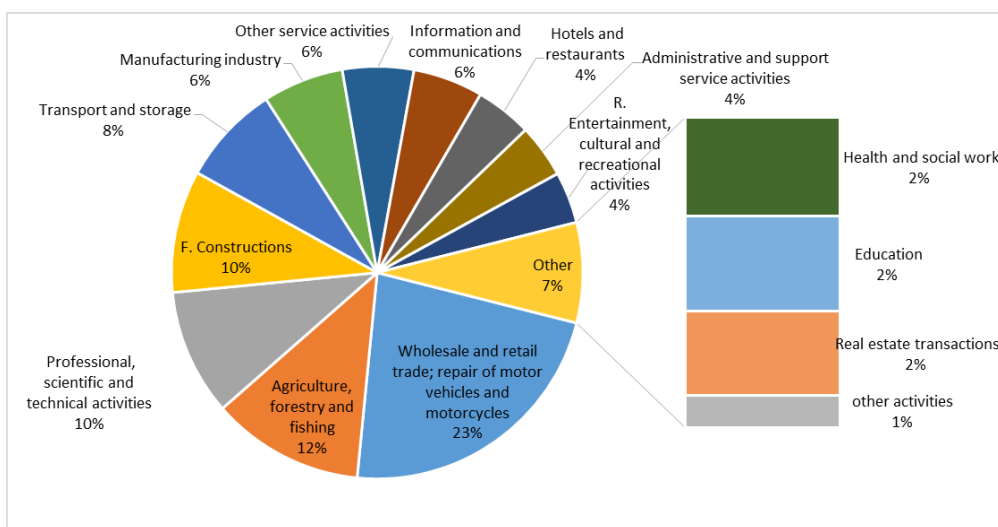


Figure no. 3. Newly created enterprises, by activities of the national economy level in 2017

Source: Authors' own elaboration based on data extracted from <http://statistici.insse.ro:8077/tempo-online/>

In the field of agriculture, forestry and fishing are registered 12% of all newly created enterprises. Equal shares (10%) are held by companies in the field of construction, technical and scientific activities. Over 5% of the newly established companies are also in areas such as information and communications (6%), manufacturing industry (6%) and transport and storage (8%).

The distribution of newly created companies in Romania in the period 2010-2017, by areas of residence is presented in figure no.4.

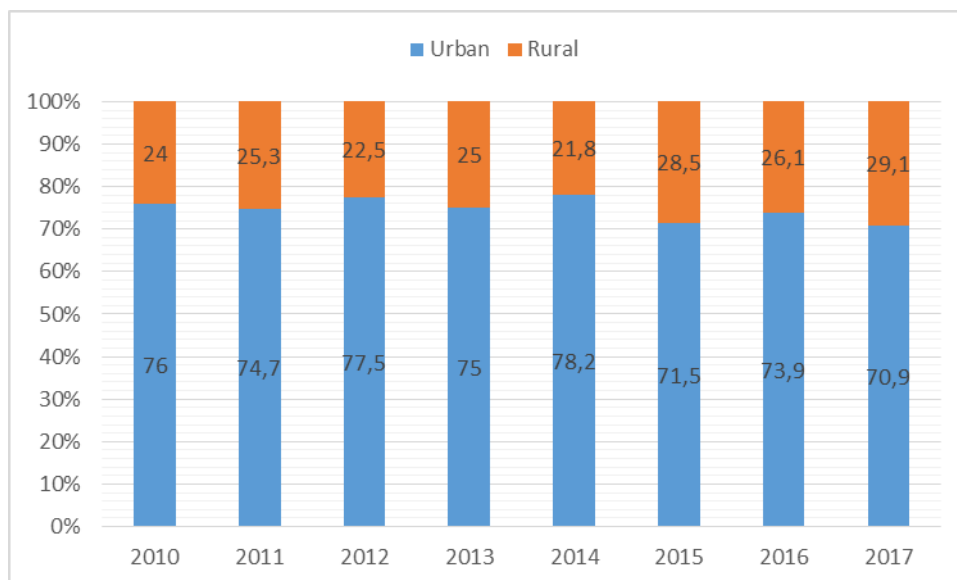


Figure no. 4. Distribution of newly created active enterprises, by areas of residence

Source: Authors' own elaboration based on data extracted from <http://statistici.insse.ro:8077/tempo-online/>

The share of new active companies opened in rural areas fluctuated between 2010-2017. In Romania, on average almost a quarter of the newly created companies were in rural areas. In 2017, just over 70% of all companies were established in urban areas. There is a slight tendency to decrease the share of companies created in urban areas as a result of encouraging business opening and offering financing for rural businesses.

The distribution of newly created active companies in 2017, by development regions, is represented in figure no.5.

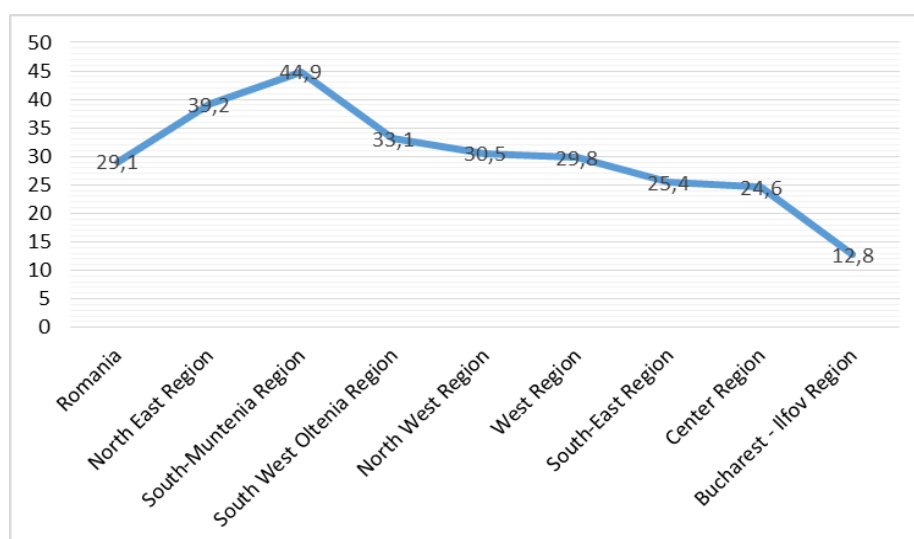


Figure no. 5. Distribution of newly created active enterprises in rural areas, by development regions in 2017

Source: Authors' own elaboration based on data extracted from <http://statistici.insse.ro:8077/tempo-online/>

The largest share of newly created companies in rural areas, by development regions, is in the South Muntenia Region (44.9%), followed by the North East Region (39.2%). The lowest share of newly established companies in rural areas was registered in the Bucharest Ilfov region, the situation being explained by the lower share of the rural area in this region.

The rate of creation of new companies is different by region. A comparative analysis is performed in figure no. 6. There is a downward trend in the rate of creation of new enterprises in 2017, compared to 2010, except for 3 regions: Bucharest Ilfov, the Western region and the North West region.

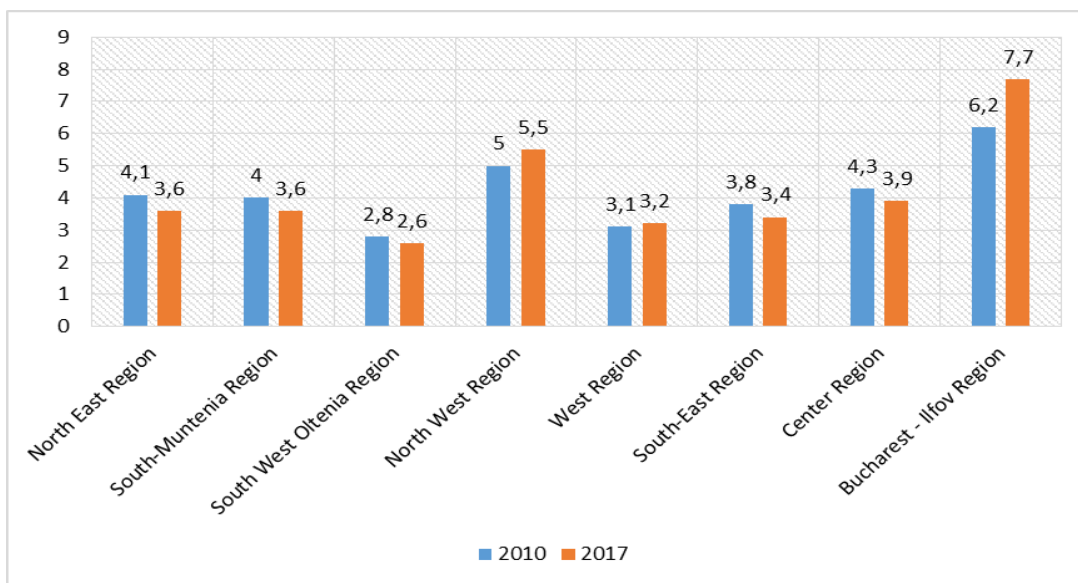


Figure no. 6. The rate of creation of new enterprises, by development regions in 2017 comparative with 2010

Source: Authors' own elaboration based on data extracted from <http://statistici.insse.ro:8077/tempo-online/>

The lowest rate was in the South West Oltenia Region (2.6%) and the highest in the Bucharest Ilfov Region (7.7%). In the North East Region, the creation rate of new companies in 2017 was 3.6%, decreasing from 4.1% in 2010.



Figure no. 7. Newly created enterprises, by size classes

Source: Authors' own elaboration based on data extracted from <http://statistici.insse.ro:8077/tempo-online/>

The share of newly created companies by size classes in the period 2010-2017 is presented in figure 7. After 2014 there is registered a tendency to decrease the share of newly established companies that have no employees in favor of those with a number between 1 and 4 employees.

The effects of programs that encourage the opening of businesses that create at least one job are visible by increasing the share of these companies in the total number of companies established after 2014. At EU level, the ESF is the EU's main instrument for promoting employment and social inclusion. Through this fund, people are helped to find a job (or a better one), disadvantaged people are integrated into society and everyone has a fairer chance in life. The POCU 2014-2020 aims to integrate the needs of human resources development in all public programs and policies of Romania, as EU MS and aims to enhance human capital, as a resource for sustainable development in the future.

4.2. THE CONTRIBUTION OF THE NEWLY CREATED COMPANIES TO THE INCREASE OF THE NUMBER OF EMPLOYED PERSONS

The changes in the support of companies that create jobs have led to changes in their contribution to the labor market. The contribution of the newly created companies to the increase of the number of the employed population, by size classes in the period 2010-2017 is presented in figure no. 8.

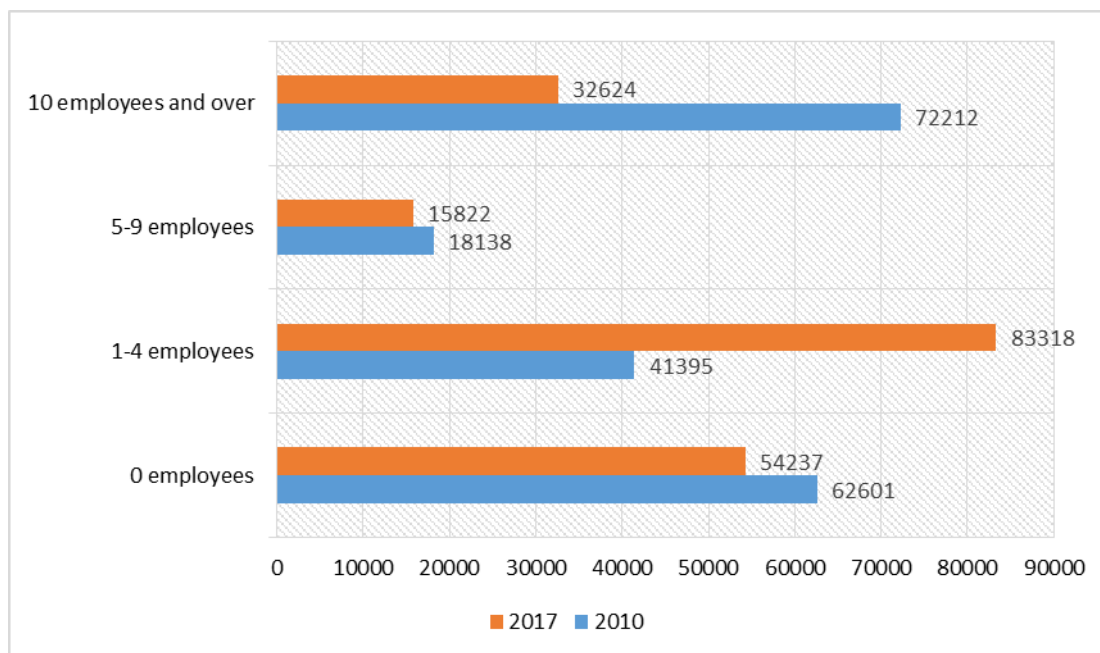


Figure no. 8. Number of employed persons in newly created enterprises, by size classes

Source: Authors' own elaboration based on data extracted from <http://statistici.insse.ro:8077/tempo-online/>

The number of people employed in newly created companies by size classes in 2017 has changed compared to 2010. The number of people employed in the newly created enterprises in the size class with 1 and 4 employees was 83,318 people, a number almost double compared to 2010. At the same time, the number of the population employed in the newly created companies from the size class with over 10 employees decreased by 121.34%. Enterprises in the other size classes also registered decreases but in a much smaller proportion. The contribution of new enterprises to job creation is real, regardless of size class. A profile of the new companies that were created in Romania in the last years, could look like this: the company is from the urban area, in the Bucharest Ilfov region or the North West region, in the field of trade or car repair and has no employees or at most 4 employees.

5. CONCLUSION

The results of the descriptive analysis show that most enterprises are created in urban areas, in the Region of Bucharest Ilfov or the North West Region, in the field of trade or repair of motor vehicles, without any employee or with at most 4 employees. In the period 2010-2017 there are some changes in terms of the contribution of new enterprises created to increase the number of people employed in the economy, depending on the size class. In 2010, the enterprises in the size class with over 10 employees had the largest contribution to the employment of the population, while in 2017, this aspect changed in favor of those in the size class 1-4 employees. Small and medium enterprises are predominant in the market economy and represent the main link of a country's economy, based on the production of goods or services that consumers need.

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6. REFERENCES

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