



THE ROLE OF THE SMALL AND MEDIUM ENTERPRISES SECTOR IN INDUSTRY DEVELOPMENT IN ROMANIA

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Abstract: Small and medium-sized enterprises are a determining factor in economic development, innovation and modernization, achieving a wide range of functions and objectives: they generate the largest share of GDP in each country; generate a large extent of technical innovations applicable in the economy; generates jobs; shows the highest dynamism in the market economy, a situation attested by their evolution, the volume of turnover and the size of the employed workforce, significantly superior to large enterprises; demonstrates high flexibility and adaptability to market demands and changes; provides the main component of an economic background of the market economy, characterized by flexibility, innovation and dynamism. The article presents the role of SMEs in the development of Romanian industry and is based on an analysis of the literature and statistical data. Several indicators are analyzed: evolution of the number of enterprises in the industry, evolution of turnover, staff in the industry, net investment in total industry and SMEs, gross value added at factor cost, gross value added at factor cost per employee, the share of SMEs in direct exports, the number of SMEs in industry by size classes.

Keywords: small and medium-sized enterprises, turnover, net investment, gross value added

Introduction

The small and medium-size business sector plays an extremely important role in a modern economy, being the most active and innovative sector of the economy. Small and medium enterprises are at the forefront of development, they being the most dynamic economic factor. Most of the GDP is produced by small and medium businesses, most of the employed labor force works in this sector. These companies are creating new jobs, most companies are elements of the small business sector, and a large part of the inventions and innovations is generated

by these companies. Romania's National Strategy for Sustainable Development 2030 proposes the integration of small and medium enterprises in value chains and foreign markets, the modernization of infrastructure and sustainable rehabilitation of industries for the efficient use of resources, the adoption of green technologies and industrial processes, the modernization of technological capabilities of industrial sectors, the encouragement of innovation. [1]

In Romania, SMEs are an essential segment in the total number of economic agents providing

employment and income and participating in the creation of GDP. The characteristic of the main indicators of SMEs, the evaluation of the potential and the contribution of this sector to the development of industry in Romania and its evolution offer the possibility to identify the activity of Romanian SMEs compared to other European countries, to argue the main directions of their development.

Given the importance of SMEs for the economic development, the article aims to identify the role of SMEs in the development of industry in Romania.

Methods

The research methods applied were analysis and synthesis, through which it was possible to present the impact of small and medium enterprises on the development of the industry. The analysis and synthesis of the publications in the field allowed the formulation of conclusions regarding the role of small and medium enterprises in the development of industry in Romania.

Content of research

Small and medium-sized enterprises operate in all sectors of the economy: in industry, constructions, trade and services. In the Romanian industry, small and medium enterprises operate in the following branches:

- ❖ extractive industry (coal extraction, crude oil and natural gas extraction, metal ore extraction);
- ❖ manufacturing industry (food industry, beverage manufacturing, tobacco manufacturing, textile manufacturing, garment manufacturing, footwear manufacturing, fur preparation and dyeing, wood processing, wood and cork manufacturing, straw and other materials manufacturing) wickerwork, paper, printing and reproduction of records, manufacture of substances and chemicals, manufacture of pharmaceuticals, manufacture of rubber and plastics products, metallurgical industry, construction of metal and metal products,

manufacture of furniture, maintenance and installation of machinery and equipment, etc.); production and supply of electricity and heat, gas, hot water and air conditioning;

- ❖ water distribution, sanitation, waste management, decontamination activities (collection, treatment and distribution of water, collection and treatment of wastewater, collection, treatment and disposal of waste, recyclable materials recovery activities; decontamination activities and services).

Figure 1 shows the evolution of the number of active enterprises in the industry in total and SMEs, in the period of 2015-2019.

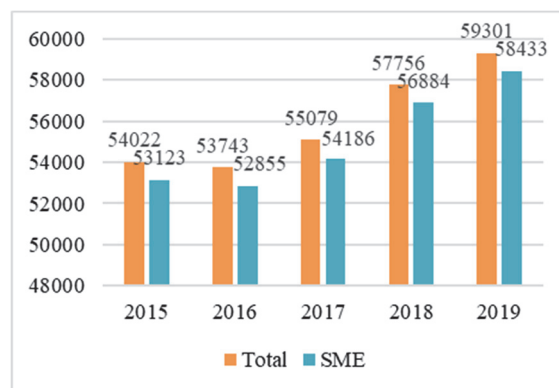


Figure 1. Evolution of the number of active enterprises in the industry in total and SMEs in the period 2015-2019 Source: compiled by the author based on statistical data [2,3,4,5,6]

In the period 2015-2019 the total number of enterprises in the industry increased from 54022 to 59301, the number of small and medium enterprises increased respectively from 53123 to 58433.

Figure 2 shows the evolution of turnover in total per industry and SMEs in the period 2015-2019.

The turnover of small and medium enterprises evolved in the period 2015-2019 from 156096 million lei in 2015 to 185478 million lei in 2019. The small and medium enterprises both in 2015 achieved respectively 36.9% and 33.4% of the total

turnover both in 2015 and 2019. Figure 3 shows the number of staff in the industry in total and SMEs in the period 2015-2019.

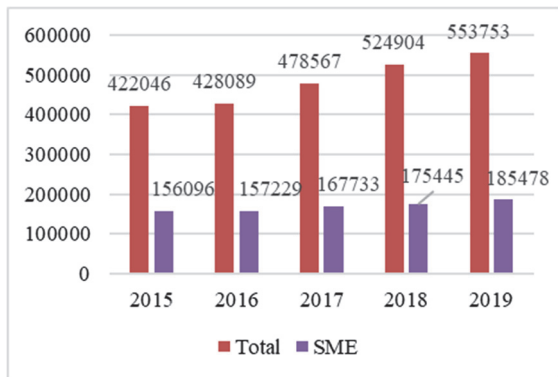


Figure 2. Evolution of turnover in total per industry and SMEs in the period 2015-2019 - in millions of lei for current prices. Source: compiled by the author based on statistical data [2,3,4,5,6]

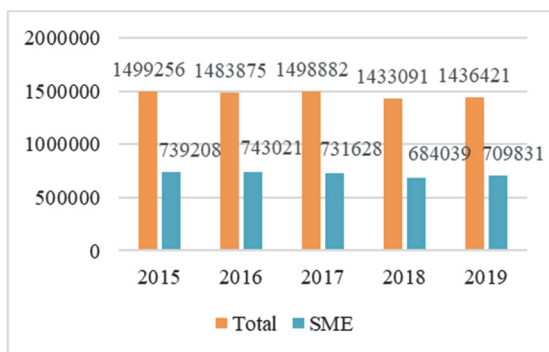


Figure 3. The number of staff in the industry in total and SMEs in the period 2015-2019; Source: compiled by the author based on statistical data [2,3,4,5,6]

The number of staff in small and medium enterprises in the industry has evolved in the period 2015-2019 from 739208 to 709831 people. The small and medium enterprises comprised 49.42% of the total staff of 1436421 as per 31.12.2019.

Figure 4 shows the gross value added at factor cost of the total industry and SMEs in the period 2015-2019.

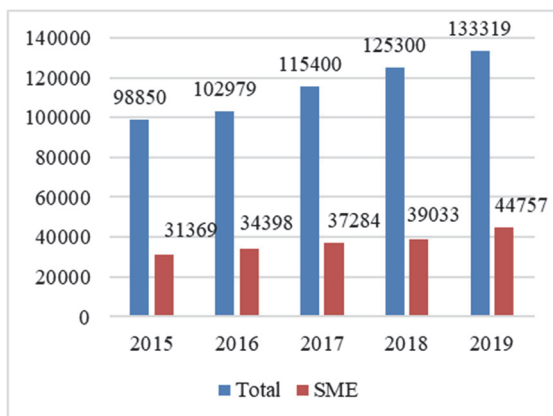


Figure 4. Gross value added at factor cost of total industry and SMEs in the period 2015-2019 - in million lei current prices -Source: compiled by the author based on statistical data [2,3,4,5,6]

The gross value added at factor cost was obtained by small and medium-size enterprises in proportion of 31.7% in 2015 and in proportion of 33.57% in 2019.

Figure 5 shows the gross value added at the cost of factors per employee in the industry in the period 2015-2019.

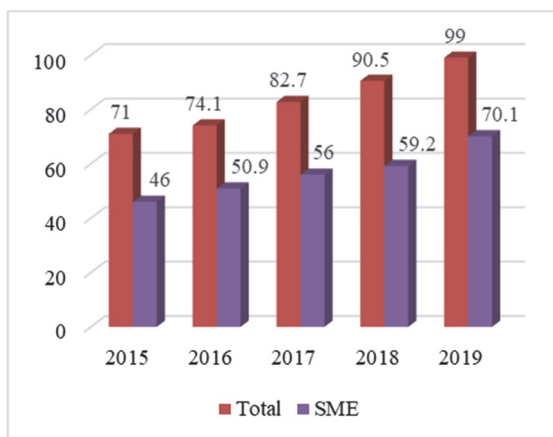


Figure 5. Gross value added to the cost of factors per employee in industry in the period 2015-2019 - thousand lei current prices / employee -Source: compiled by the author based on statistical data [2,3,4,5,6]

Gross value added per employee, *apparent productivity*, recorded lower levels in small and medium enterprises than in total enterprises in the period 2015-2019. Figure 6 shows the net investment made in the total industry and SMEs in the period 2015-2019.

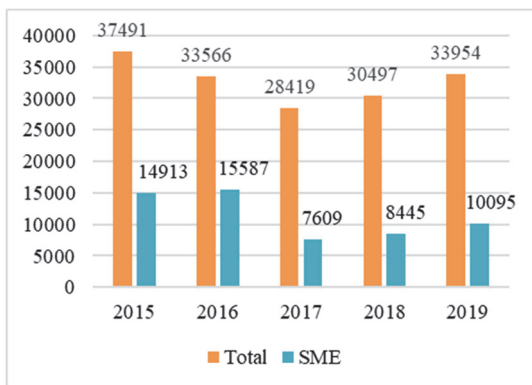


Figure 6. Net investment made on the industry in total and SMEs in the period 2015-2019 - million lei current prices -Source: compiled by the author based on statistical data [2,3,4,5,6]

In 2015, small and medium enterprises had a share of 39.78%, and of 29.73% in 2019. The structure of the net investments in SMEs as financing sources in 2019 was as follows: 38.79% own sources; 61.21% credits.

Figure 7 shows the gross result of the year (profit) in the total industry and SMEs in the period 2015-2019.

The gross result of the year registered (profit) was 13968 million lei in 2015, of which 2446 million lei were obtained by small and medium enterprises, and 9210 million lei out of the total of 28061 million lei obtained by small and medium enterprises in 2019. Figure 8 shows the direct exports between 2015 and 2019 years.

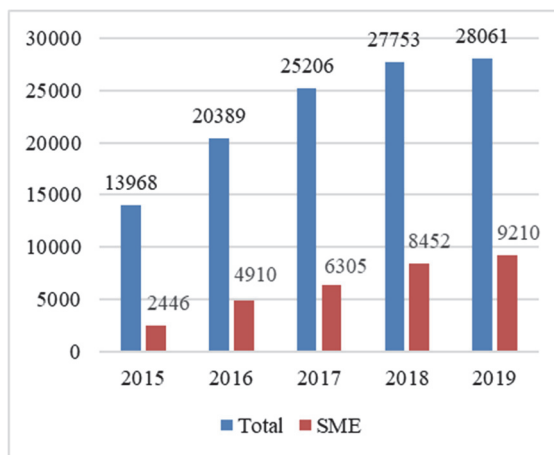


Figure 7. Gross profit per year in total industry and SMEs in the period 2015-2019 - in million lei current prices -Source: compiled by the author based on statistical data [2,3,4,5,6]

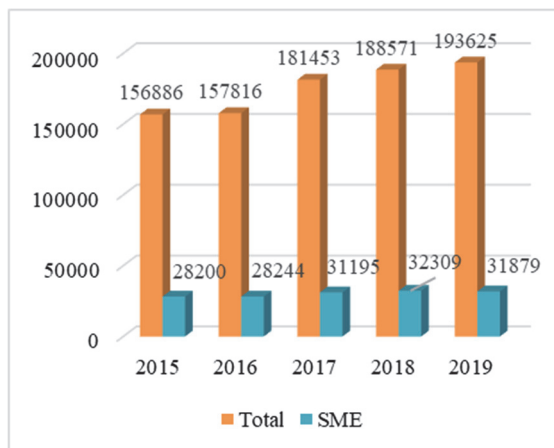


Figure 8. Direct exports of industrial enterprises in the period 2015-2019 - million lei - Source: compiled by the author based on statistical data [2,3,4,5,6]

According to the data from figure 8, the share of small and medium enterprises in the export of industrial products constituted 17.97% in 2015 and 16.46% in 2019.

Figure 9 shows the number of SMEs in the industry by size classes in 2019.

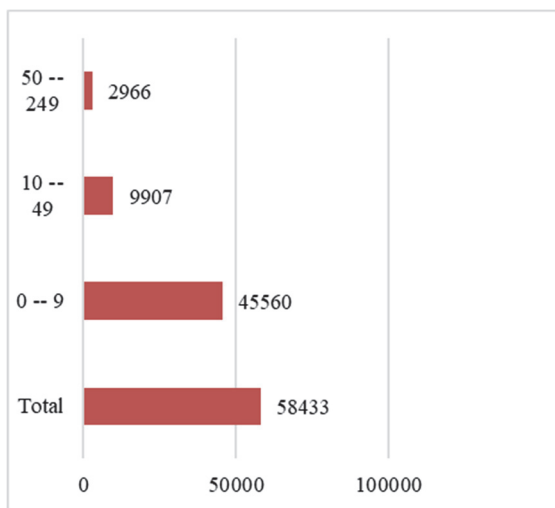


Figure 9. Number of SMEs in the industry by size classes in 2019, Source: compiled by the author based on statistical data [2,3,4,5,6]

According to the data in Figure 9, 5.08% from the total of 58433 SMEs were medium-sized enterprises with a number of employees of 50-249, 16.95% small enterprises with a number of employees of 10-49 and 77.97% micro- enterprises with a number of employees up to 10.

Thus, small and medium enterprises have a major impact on the development of different industries in Romania. Thus, the share of small and medium enterprises in 2019 was 98.5% from the total number of enterprises in the industry. Small and medium enterprises achieved 33.4% of the total turnover in 2019. On 31.12.2019, small and medium enterprises owned 49.42% of the total staff. The gross value added at factor cost obtained by small and medium-sized enterprises was in proportion of 33.57% to the total in 2019.

Conclusions

The SME sector is an area of strategic interest for the economy. Small and medium-sized enterprises are a key factor in economic development, innovation and modernization.

The small and medium enterprise sector represents

the barometer of the development of the competitive and sustainable economy, ensuring a uniform evolution by creating new jobs, considerable contribution in net taxes, offering a wide range of goods and services, diversifying the economic opportunities for the population.

Small and medium-sized enterprises:

- are an important part of the infrastructure on which the economy depends;
- contribute to the supply of products from various industries;
- generate jobs;- play an important role in combining factors of production and encouraging investment;
- show dynamism in the conditions of the market economy, a situation attested by their evolution, dynamism of the turnover volume and of the size of the employed labor force;
- have high flexibility and adaptability to market requirements and changes.

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