

Romanian entrepreneurial environment, key aspect in investment decision

Mediul intreprenorial în România, aspect cheie în decizia de investiții

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Abstract

The entrepreneurial environment in Romania is a big still unexploited asset for the European Union but a change in its perception can be noticed. With a population of 21,7 millions, Romania is one of the largest countries accepted in EU and provide important business opportunities for both local and international investors. But how are seen this issues by local entrepreneurs?.

Keywords: *entrepreneurial environment, SMEs, Romania*

Rezumat

Mediul intreprenorial din Romania este in continuare un element insuficient cunoscut in Uniunea Europeana, dar o schimbare in perceptia asupra acestia poate fi observata. Cu o populatie de 21,7 milioane locuitori, Romania este una din cele mai mari tari admise in Uniunea Europeana, furnizand in acelasi timp oportunitati de afaceri atat pentru investitorii locali, cat si pentru cei internationali. Dar cum sunt vazute acestea de intreprinzatorii romani?

Cuvinte-cheie: *mediu intreprenorial, IMM-uri, Romania*

JEL Classification: F21; G11; L26

Assessments regarding the broad evolution of the Romanian business environment

The broad situation of the economic environment in Romania at this moment (figure 1) was appreciated as favorable for business for 51.61% of SMEs, neutral for 28.56% and hindering for development for 19.83% of companies. If we compare these perceptions with those from the previous years, (for

example the environment was considered to be favorable for businesses for only 30.01% companies in 2006. and in 2007 for 42.91% of the companies), we can state that more and more entrepreneurs/ managers within SMEs are satisfied with the environment of their activities. This situation may be explained by Romania’s evident progress in order to create a functional market economy.

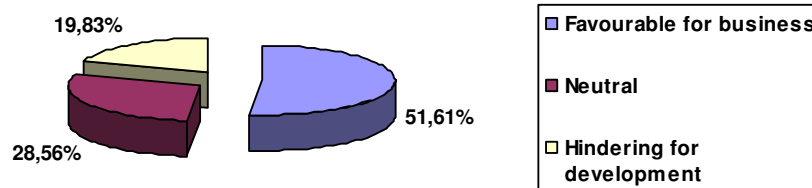


Figure 1. SMEs Assessments of Romanian broad economic environment

As far as the future evolution of the business environment is concerned (figure 2), it is estimated that in 60.40% of the analysed SMEs the Romanian economic environment would be favourable for business and in only 12.65% it is considered to be hindering for development, which proves the confidence that entrepreneurs have that the economic environment will improve positively due to Romania’s integration in the European Union.

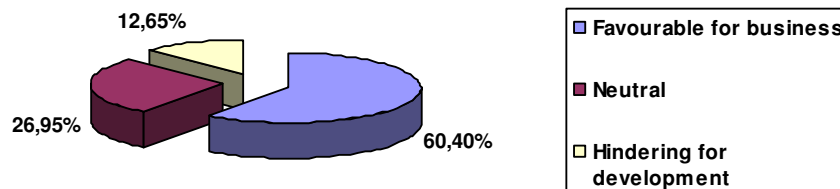


Figure 2. SMEs assessments of the future evolution of the Romanian economic environment

If we classify SMEs by development regions, we notice the following aspects:

Considering the actual situation of economic environment:

- (36.36%); the weight of companies where the environment is considered to be favourable to businesses is the highest in South Western region (70.11%) and the lowest in Center region (36.36%);
- enterprises considering the economic environment as hindering for development are highly represented in Center (33.33%) and North East (32.68%);

- SMEs considering the actual environment as neutral are highly represented in Bucharest, with a rate of 33.78%.

As for the assessment on the future evolution of economic environment:

- the percentage of SMEs where the future evolution of environment is considered to be favourable for entrepreneurial activities is the highest in South East (68.49%) and the lowest in Center (52.31%);

- the companies where business environment is considered to be hindering for economic development in the future records a higher weight in North East (22.22%) and a lower one in South East (7.53%);

- the weight of enterprises where the environment is considered to be neutral for the future period is the highest in South (32.84%) and the lowest in South West (22.78%).

See tables 1 and 2 for details.

**Differences in SMEs assessment of the actual situation of the economic environment
by development regions**

Table 1

No.	Broad situation of the actual economic environment	SMEs classified by development regions							
		North East	South East	South	South West	West	North West	Center	Bucharest
0	1	2	3	4	5	6	7	8	9
1	Favourable for business	42.52%	53.69%	47.41%	70.11%	54.90%	55.88%	36.36%	55.68%
2	Neutral	24.80%	26.85%	31.11%	20.69%	23.53%	25.00%	30.30%	33.78%
3	Hindering for business development	32.68%	19.46%	21.48%	9.20%	21.57%	19.12%	33.33%	10.54%

**Differences in SMEs assessment of the future evolution of economic environment
by development regions**

Table 2

No.	Future situation of the economic environment	SMEs classified by development regions							
		North East	South East	South	South West	West	North West	Center	Bucharest
0	1	2	3	4	5	6	7	8	9
1	Favourable for business	54.76%	68.49%	54.48%	64.56%	66.00%	59.02%	52.31%	63.22%
2	Neutral	23.02%	23.97%	32.84%	22.78%	26.00%	27.87%	29.23%	29.16%
3	Hindering for business development	22.22%	7.53%	12.69%	12.66%	8.00%	13.11%	18.46%	7.63%

Taking into account SMEs size (tables 3 and 4) one can notice that the most favourable marks are registered for small companies, hindering for medium enterprises and

neutral for micro enterprises, both for the actual situation and for the future development of the business environment

Differences in SMEs assessment for the actual business environment by size classes

Table 3

No.	Broad situation of the actual economic environment	Size classes		
		Micro-enterprises	Small enterprises	Medium enterprises
0	1	2	3	4
1	Favourable for business	49.14%	56.77%	54.95%
2	Neutral	31.74%	23.23%	21.62%
3	Hindering for business development	19.12%	20.00%	23.42%

Differences in SMEs assessment of the future development of business environment by size classes

Table 4

No.	Future situation of the economic environment	Size classes		
		Micro-enterprises	Micro-enterprises	Micro-enterprises
0	1	2	3	4
1	Favourable for business	57.74%	65.45%	64.42%
2	Neutral	30.01%	21.26%	22.12%
3	Hindering for business development	12.25%	13.29%	13.46%

By SMEs fields of activity the outcome of our inquiry shows that there are certain significant differences compared to sample average.

As for the assessment of the current situation (table 5) of the economic environment:

- SMEs operating within services field represent the higher percentage (57.88%) of the companies where the environment is considered favourable to economic environment and companies within industry are situated at the opposite end, where the environment was positively appreciated only by 47.62%;
- companies that operate in industry register the highest weight (27.14%) of companies where the environment was considered hindering for development
- enterprises operating in tourism hold the highest weight (33.33%) and the companies within constructions hold the lowest weight (22.22%), of SMEs where the economic environment was considered to be neutral

Taking into account the assessment of the future development for economic environment (table 6):

- enterprises where the future evolution of environment was considered to be favourable for businesses represent a higher weight in constructions (74.07%) and a lower one in trade (52.74%);
- SMEs where economic environment evolution was assessed to be negative hold the highest proportions in trade (18.49%) and lower for enterprises within services (8.06%);

- companies considering the business environment to be neutral to development hold a lower percentage in SMEs within construction (11.11%) and higher in enterprises within transportation (31.20%).

Differences in SMEs assessment for actual business environment by fields of activity

Table 5

No.	Broad situation of the actual economic environment	SMEs by fields of activity					
		Industry	Constructions	Trade	Tourism	Transportation	Services
0	1	2	3	4	5	6	7
1	Favourable to Business	47.62%	51.85%	47.65%	52.78%	48.30%	57.88%
2	Neutral	25.24%	22.22%	25.50%	33.33%	32.39%	28.08%
3	Hindering for Development	27.14%	25.93%	26.85%	13.89%	19.32%	14.04%

Differences in SMEs Assessment of the future evolution of business environment by fields of activity

Table 6

No.	Future situation of the economic environment	SMEs by fields of activity					
		Industry	Constructions	Trade	Tourism	Transportation	Services
0	1	2	3	4	5	6	7
1	Favourable to Business	60.39%	74.07%	52.74%	61.76%	56.85%	65.24%
2	Neutral	21.26%	11.11%	28.77%	26.47%	31.20%	26.70%
3	Hindering for Development	18.36%	14.81%	18.49%	11.76%	11.95%	8.06%

Conclusion

The evolution of the Romanian economic environment is appreciated at this moment as positive in 51.61% of the small and medium enterprises, with a higher intensity at firms with 5-10 years of experience (56.83%), companies from South West (70.11%), small seized enterprises (56.77%), SMEs with other juridical status (64.06%) and those from services (57.88%).

In 60.40% of SMEs the environmental evolution is assessed to be favorable for the future period, both for their activity and their performances, with more intensity for organizations with 5-10 years of experience, companies from South East (68.49%), small size enterprises (65.45%) Joint Stock Companies (66.67%) and SMEs from constructions (74.07%).

The most frequent business opportunities for SMEs in 2008 are the sales' increase on domestic market (recorded for 69.75%% of companies), introduction of new products (46.34%), entering new markets (44.43%), business partnerships (35.27%), use of new technologies (34.55%), grant procurement (20.30%) and exports' increase (8.84%).

The most frequent difficulties that small and medium companies face with are bureaucracy (indicated in 47.37% of SMEs), high taxation (42.52%), hiring, training and maintaining of personnel (35.03%), inflation (33.92%), delay of invoices' payment (33.84%), high interests on loans (33.36%), corruption (33.12%), decrease of domestic demand (31.21%), high expenses on staff payments (29.62%), excessive controls (24.92%), national currency instability (24.36%), difficult access to credits (23.09%), foreign products' competitiveness (20.70%)

Contextual elements with negative impact on SMEs activity and performances most frequently faced in Romania are excessive bureaucracy (indicated in 53.11% of companies), legal frame evolution (46.42%), corruption (38.54%), insufficient predictability of business environment (29.54%), political changes in country's leadership 19.27%), social climate and tensions (16.24%), IMF and World Bank policy (7.25%), inter-ethnic tensions (3.90%) and military conflicts in areas close to Romania (1.35%).

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