

**EVOLUTION AND DEVELOPMENT STRATEGIES REGARDING
SME SECTOR IN ROMANIA AND THE REPUBLIC OF MOLDOVA**

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The small and medium enterprises (SMEs) are at the top of European strategies and policies, a key factor for growth, employment and economic performance. The economic and financial crisis of 2008 has affected the SME sector in Romania and the Republic of Moldova, whose development was different from that of most European countries. Therefore, it requires a sustained effort to overcome these gaps and realistic development strategies of the SME sector in Romania and Moldova, proposed by the specialized agencies of the two countries. Following a process of critical analysis and interpretation of national and international databases, we investigated the small and medium enterprises sector in Romania and Moldova in order to identify solutions to support the SME sector in the two countries.

Key words: *development strategies, the SME sectors of activity, economic performance.*

Întreprinderile mici și mijlocii (IMM-urile) se situează în topul strategiilor și politicilor europene, fiind un factor-cheie pentru dezvoltare, ocupare și performanță economică. Criza economico-financiară din anul 2008 a afectat sectoarele IMM din România și din Republica Moldova, evoluția cărora a fost diferită față de cea din majoritatea statelor europene. De aceea, este nevoie atât de un efort susținut pentru a depăși aceste decalaje, precum și de strategii realiste de dezvoltare a sectorului IMM-urilor din România și din Republica Moldova, strategii propuse de instituțiile specializate din cele două țări. În urma unui proces de analiză și interpretare critică a unor baze de date naționale și internaționale, am investigat sectorul întreprinderilor mici și mijlocii din România și din Republica Moldova, cu scopul identificării unor soluții pentru sprijinirea sectorului IMM-urilor din cele două țări vizate.

Cuvinte-cheie: *evoluție, strategii, IMM-uri, sectoare de activitate, performanțe economice.*

Малые и средние предприятия (МСП) находятся в топе европейских стратегий и политик, являясь ключевым фактором развития, роста занятости и экономической эффективности. Финансово-экономический кризис 2008 года повлиял на сектора МСП Румынии и Республики Молдова, развитие которых отличается от большинства европейских стран. В этой связи, необходимы последовательные усилия для преодоления данных разрывов, а так же реальные стратегии развития секторов МСП Румынии и Республики Молдова, предлагаемых специализированными учреждениями обеих стран. В результате процесса критического анализа и интерпретации национальных и международных баз данных, было проведено исследование секторов малых и средних предприятий Румынии и Республики Молдова в целях выявления решений по поддержке МСП в этих двух странах.

Ключевые слова: *эволюция, стратегии, МСП, сферы деятельности, экономическая эффективность.*

JEL Classification: *M13, O10, L19, L25, L32, L53.*

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Introduction. The development of SMEs in the context of a knowledge-based economy is found among the priorities of the Europe 2020 strategy, which involves ([3] cited in [1]):

- smart growth – the development of an economy based on knowledge and innovation;
- sustainable growth;
- the promotion of a more efficient economy in terms of resource use, greener and more competitive;
- inclusive growth – the promotion of an economy with a high rate of employment, measures to ensure the economic, social and territorial cohesion.

In Romania and the Republic of Moldova the SME sector had a fluctuated evolution and it was affected by the economic and financial crisis, failing to achieve so far, the production levels before the crisis¹.

Following a process of critical analysis and interpretation of national and international databases, we investigated the small and medium enterprises sector in Romania and Moldova in order to identify solutions to support the SME sector in the two countries.

The situation regarding the SMEs in Romania and Moldova

1. The main indicators on the development of SMEs in Romania (in the European context) and the Republic of Moldova

Romania

The economic results reflected in the economic performance are below the European average, as values from 2013 indicate concerning the key indicators of SMEs in Romania compared to the EU-28 ([5] cited in [1]) namely:

Table 1

The main indicators of SMEs in Romania compared to the EU 28

Class	Number of SMEs			Number of employees			Added value		
	Romania		UE-28	Romania		UE-28	Romania		UE-28
	Number	Percentage	Percentage	Number	Percentage	Percentage	Mld. euro	Percentage	Percentage
Micro	373944	87.40	92.40	931091	22.90	29.10	7	13.40	21.60
Small	44682	10.40	6.40	939499	22.90	20.60	9	16.30	18.20
Medium	7669	1.80	1.00	848216	20.90	17.20	10	19.70	18.30
Total SME	426295	99.70	99.80	2708806	66.70	66.90	26	49.40	58.10
Large	1455	0.30	0.20	1349456	33.30	33.10	26	50.60	41.90
Total companies	427750	100	100.00	4058262	100.00	100	52	100.00	100

Source: Country Sheet “2014 SBA Fact Sheet Romania”, the European Commission.

According to the table, the percentage of micro-enterprises in Romania is lower than the EU-28, respectively 87.40% in Romania compared to 92.49% in the EU. Instead the percentage of small enterprises is higher than the EU average, 10.40% compared to 6.40% in the EU-28. Also, the share of medium-sized enterprises is higher than the EU average, 1.80% in Romania compared to 1.00% in the EU-28.

Regarding the number of employees, we observe a relatively equal distribution of employees with a total of 66.70% employees working in SMEs in Romania and in the EU the share of employees working in SMEs is 66.90%.

¹ The information and analyzes in this paper is mainly based on data provided by the European Commission of European SMEs report 2013/2014, NTC and INS statistics in Romania, Global Entrepreneurship Monitor report, reports Post Privatisation Foundation (2013-2015) SMEs in Romania and other works in the field.

We notice in the case of micro enterprises, although their share in total SMEs in Romania is 87.40% compared to 92.40% in the EU and the share of employees is 22.90% compared to 29.10% in the EU, the contribution to added value is only 13.40% in Romania compared to 21.60% in the EU.

This means that the Romanian SMEs are less competitive, efficient and less innovative compared to the SMEs in EU-28.

The Republic of Moldova

In the Republic of Moldova the share of SMEs in the total enterprises during 2009-2013 ranged from 97.4 to 97.8 percent, with a peak in 2009 and a minimum in 2013.

The number of employees in SMEs was lower in 2013 compared to 2012 and in terms of sales revenue, the SMEs have had better results in 2013 compared to 2012 respectively 77413.2 million MDL in 2013 compared to 73057.0 million MDL in 2012.

Table 2

The evolution of small and medium enterprises in all enterprises during 2009-2013 is characterized by the following indicators:

Years	No. of enterprises, Thousands			No. of employees, thousand people			Sales revenues, mil. MDL		
	Total	SME	Share of SME in total, %	Total	SME	Share of SME employees in total, %	Total	SME	SME revenues share in total, %
2009	44.60	43.70	97.8	539.2	316.2	58.7	146447.0	57480.0	39.2
2010	46.70	45.60	97.7	526.2	309.4	58.8	177503.2	65263.2	36.8
2011	48.50	47.30	97.5	510.2	294.2	57.7	207676.8	71887.6	34.6
2012	50.70	49.4	97.5	519.9	300.2	57.7	211759.3	73057.0	34.5
2013	52.20	50.9	97.4	524.5	298.4	56.9	231601.4	77413.2	33.4

Source: The National Bureau of Statistics of the Republic of Moldova.

The comparative analysis

We notice that in Romania in 2013, the share of SMEs in total enterprises is 99.70% while in Moldova this percentage is lower, namely 97.40%.

Regarding the employees working in SMEs in Romania, their share was 66.70% in 2013 while in Moldova the share of employees working in SMEs is 56.90%.

To highlight the performance of SMEs in Romania, we refer to the indicator "Added value", namely:

- the added value created by micro-enterprises is 13.40%, lower than the EU average of 21.60%; for small enterprises, although their share is higher in Romania than the EU average, the contribution of these companies to the added value is lower than in the EU, namely 18.20% in the EU to 16.30% in Romania;
- for the medium enterprises, the share of value added is 19.70% in Romania compared to 18.30% in the EU-28.

In Moldova, in an overview, the performance of the SMEs has improved in 2013 compared to 2012, in exchange the share of revenues of the SMEs in total enterprises decreased in 2013 compared to 2012.

2. Performance of SME by activity sectors

Romania

The National Council of Private, Small and Medium Enterprises in Romania conducted an extensive study¹, representative of the SME sector in Romania ([7] cited in [1]).

¹ *The National Council of Private Small and Medium Enterprises in Romania conducted a field research based on a questionnaire applied to a number of 1569 SMEs from all industries. The sample is considered representative of the SME sector in Romania. This investigation aimed at creating SMEs White Paper of 2014 and contains the latest analysis and forecasts on the SME sector in Romania.*

According to this study the overall performance of the SMEs in 2013 compared to 2012 were lower for 23.26% of the companies, 52.26% of them have not undergone change; 5.10% of the companies experienced inferior results, 17.21% of the companies experienced an improvement in the activity and only 2.17% of the organizations experienced very good results.

The performance of SMEs in Romania are described, by industry, in the table below:

Table 3

Classification of SME performance during 2012-2013 by industry

No.	Performance of SMEs in 2013 compared to 2012	SMEs grouped by development regions (%)					
		Industry	Construction	Commerce	Trade	Tourism	Services
1	Much improved	2.86	1.49	2.04	2.33	2.78	1.93
2	Improved	20.00	14.93	15.77	25.58	19.44	16.52
3	Similar	52.06	59.70	51.95	44.19	52.78	52.37
4	Slightly lower	19.05	17.91	26.53	23.26	22.22	23.20
5	Much lower	5.03	5.97	3.71	4.55	2.78	5.98

Source: CNIPMMR White Book of SMEs 2014.

Most SMEs with much improved results are in the industrial sector (2.86%); the SMEs that have achieved a higher efficiency compared to the previous year are those operating in the transport sector (25.58%). Approximately half of the companies operating in construction (59.70%) and transport (44.19%) industries recorded the same results in 2013 compared to 2012.

Table 4

Performance of SMEs in 2014 compared to 2013 by development regions

No.	Performance of SMEs in 2014 compared to 2013	SMEs grouped by development regions (%)							
		NE	SE	S	SV	V	NV	C	BIF
1	Decidedly improved	1.92	4.12	0.61	3.24	0.00	1.1	0.63	0.91
2	Improved	19.23	18.56	21.10	31.35	20.00	29.83	18.99	18.82
3	Same performance	50.00	47.42	51.07	44.22	50.00	61.88	72.15	60.32
4	Slightly lower	19.23	20.62	18.96	12.21	30.00	6.63	5.70	13.15
5	Inferior	9.62	9.28	8.28	2.97	0.00	0.55	2.53	6.80

Source: CNIPMMR, the White Book of SMEs, 2014.

From the analysis we can highlight a relatively positive situation in the sense that by development regions, over half of the SMEs had similar results to the previous year and about 20% of firms of almost all regions experienced a slightly improved performance. The percentage of companies with decidedly inferior performance is quite low (0 to 9 percent).

The Republic of Moldova. In the Republic of Moldova, the performance of SMEs are described in the table below:

Based on data provided by the National Bureau of Statistics of the Republic of Moldova, the industry which gets the highest sales revenues is the wholesale and retail (36333.0 million MDL) in a slight increase from 2012 and with a 46.9% share of SMEs in total enterprises in a decrease compared to the level of 2012 (48.7%) which indicates that the performance of SMEs in this industry has increased. The same trend is noticed with the SMEs in the manufacturing industry.

Table 5

The performance of SMEs by industries in the Republic of Moldova

Name of industry	Sales revenues in 2012				Sales revenues in 2013			
	Total, Mil. MDL	SME, Mil. MDL	Share of SMEs in:		Total, mil, MDL	SME, mil. MDL	Share of SME in:	
			total enterprises	total SME			total enterprises %	total SME, %
Total	211759.3	73057.0	34.5	100.0	231601.4	77413.2	33.4	100.0
Agriculture, hunting and forestry	7257.6	4930.3	67.9	6.7	8931.6	6157.8	68.9	8.0
Manufacturing industry	33265.7	9522.8	28.6	13.0	37144.2	9640.9	26.0	12.5
Electricity, gas and water	22355.2	261.8	1.2	0.4	19402.9	236.3	1.2	0.3
Construction	8439.8	5349.9	63.4	7.3	10572.3	6109.9	57.8	7.9
Wholesale and retail trade;	98590.9	36299.0	36.8	49.7	107906.2	36333.0	33.7	46.9
Hotels and restaurants	1830.5	1365.8	74.6	1.9	1998.9	1482.0	74.1	1.9
Transport and communications	19423.7	6885.1	35.4	9.4	21273.0	7700.6	36.2	9.9
Real estate, renting and services for enterprises	8021.7	5177.2	64.5	7.1	2909.3	5942.4	204.3	7.7
Other activities	12574.2	3265.0	26.0	4.5	21463.1	3810.3	17.8	4.9

Source: Data provided by the National Bureau of Statistics of the Republic of Moldova.

The development strategy of SMEs in Romania and in the Republic of Moldova

The analysis on SMEs in Romania and the reports of specialized institutions [4, p. 10], provide a number of specific issues concerning the SMEs, namely:

1. The issue of critical mass of SMEs – too few active enterprises in the economy;
2. The issue of the business/company size – too few medium-sized enterprises;
3. The issue of the sectorial structure – too many businesses operating in the areas of services and trade;
4. The issue of the business resilience – two-thirds of the new businesses go out of business in the first year of life.

In this situation, the strategy for SMEs in Romania [4, p. 12], focuses on five interrelated strands, out of which: four are oriented towards the economic operators (SMEs); one targets the public administration at central and local level:

1. The support and promotion of entrepreneurship;
2. The access of SMEs to appropriate financing;
3. Innovative SMEs;
4. The access to markets and the internationalization of SMEs;
5. The reactivity of the public administration to the needs of SMEs;

In the Republic of Moldova, the development strategy of SMEs [6] is based on numerous coordinates, namely:

1. Adjusting the regulatory framework to the needs of the SME development by:

- the improvement of the legal framework regulating the activity of SMEs;
- the reduction of the administrative barriers and regulatory costs for SMEs;
- optimizing regulations on the commercial activities practiced by SMEs.

2. The improvement of the SMEs' access to financing:

- the development of innovative financing schemes for SMEs;
- ensuring the efficient transfer of remittances;
- attracting long-term credit lines from international financial institutions;
- the development of the credit guarantee system for SMEs;
- facilitating the access of SMEs to public procurement.

3. The development of human capital by promoting skills and entrepreneurial culture through:

- the development and promotion of education and entrepreneurial culture;
- the educational training support infrastructure;
- the creation of advisory and information system for SMEs.

4. Increasing the competitiveness of SMEs through:

- the improvement and development of the building, technical and innovative capacity of SMEs;
- the facilitation of the development and grouping of SMEs in clusters, business incubators etc.;
- the promotion of the intellectual property for SMEs;
- facilitating the SMEs' access to domestic and foreign markets;
- the implementation of management systems based on international and European standards.

5. Facilitating the development of SMEs at regional level

- fostering the balanced and sustainable development of SMEs throughout the country;
- providing the support infrastructure development of SMEs in the regions;
- promoting the participation of SMEs in cross-border and regional cooperation.

6. Developing Business Partnerships

- development of public-private business partnership;
- facilitating the “business to business” partnership;
- facilitating the private sector participation in the processes of improving the regulatory and decision making framework.

Conclusions

The diagnosis of SMEs in Romania compared to SMEs in Moldova reveals a number of similarities in this area, namely:

- the similar share of SMEs in total enterprises;
- similarities in terms of priority sectors in which SMEs operate;
- regarding the performance of the SME sector, a fluctuation of the main indicators was recorded and regarding the number of SMEs, the number of employees and the added value both in Romania and Moldova.

Based upon this analysis, of the EU 2020 Strategy, the Small Business Act 2015 and the Action Plan Entrepreneurship 2020, a development strategy for SMEs proposed by the specialized agencies of the two countries, we recommend a series of measures to support and develop the SMEs in Romania and the Republic of Moldova [1]:

- the facilitation of the access to financing for SMEs through microgrants or microloans, supporting the innovation processes in SMEs and the introduction of new technologies, financed mainly through European projects;
- the support and promotion of the internationalization of SMEs by establishing direct contacts between entrepreneurs and SMEs in Romania, Moldova and groups of SMEs in Europe;
- the creation and development of a cooperation network among universities, research institutes and SMEs based on projects and contracts with a view to developing the innovative capacity of SMEs and the training of employees and managers;
- the support of the distribution and marketing of SMEs, the fostering of the distribution of local traditional products;
- the strengthening of the cooperation and exchange of experience, know-how and the transfer of technology between Romania and the Republic of Moldova.

These measures can be adapted and implemented according to the national specificity in order to support the SME sector.

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