

ANALYSES OF BUSINESS DEVELOPMENT AT THE LEVEL OF TIMIS COUNTY

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Abstract

Business is the main component that defines antreprenorial behaviour. Micro, small and medium enterprises (SMEs) play a vital role in a country's economy, representing a source of entrepreneurial skills and innovation. SMEs contributes greatly to gross domestic product and employs a large population of the workforce.

The paper analyzes the dynamics of the business environment in the county of Timis given the evolution of the number of companies registered and de-registered, the number of active enterprises, the situation of companies with foreign capital in number and value of invested capital, distribution enterprises by economic sectors and classes sizes, and capture the gross value added.

Key words: antreprenorial behaviour, SMEs, groos value added (GVA)

The business environment is the main component defining entrepreneurial behavior. The entrepreneur is, according to Max Weber (Weber M., 1993), an individual characterized by the positive definition of any situation, with a huge capacity to accept risks and a high value placed on work.

Entrepreneurship is a multi-facet phenomenon, shaped by social and economic conditions. Entrepreneurship can be treated as an attitude or as a process. Being an attitude, entrepreneurship corresponds to a trait in people's character and stands for the readiness to face new challenges, to improve the existing components of the human environment and to take an active and creative stance towards one's surroundings. In turn, entrepreneurship understood as a process means the creation and development of a business entity (enterprise) (Babuchowska K., Marks-Bielska R. 2013).

Entrepreneurship is recognized as a primary engine of economic growth. Without it other factors of development will be wasted or frittered away. Entrepreneurship stimulates economic growth through the knowledge spill over and increased competition of the entrepreneurs (Carree M., Thurik R., 2005).

Micro, small and medium enterprises (SMEs) play an essential part in the economy of a country. They are, in fact, a source of entrepreneurial skills and innovation, and largely

contribute to achieving the GDP as well as hiring a large part of the workforce.

„The category of micro, small and medium enterprises (SMEs) is made of enterprises hiring less than 250 individuals and have a net annual turnover of maximum €50 million and/or possess total assets worth up to €43 million” (Commission Recommendation 361/2003/CE).

The national norm determining the criteria for defining microenterprises and small and medium enterprises, in compliance with relevant European regulations, is Ordinance no. 27/26.01.2006 concerning modification and supplementation of Law no. 346/2004 concerning stimulation of setup and development of small and medium enterprises.

According to regulations, small and medium enterprises are classed according to the average number of employees, annual net turnover or total assets in possession, into the following categories (Ordinance 27/2006):

a) **microenterprises** – have up to 9 employees and achieve an annual net turnover of up to €2 million, the equivalent in lei;

b) **small enterprises** – have between 10 and 49 employees and achieve an annual net turnover or hold total assets worth up to €10 million, the equivalent in lei;

c) **medium enterprises** – have between 50 and 249 employees and achieve an annual net turnover of up to €50 million, the equivalent in lei,

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or possess total assets in a maximum value in lei of €43 million.

When classing SMEs, compliance with the average number of employee threshold is mandatory. For the other two criteria, i.e. the value of turnover and the value of total assets, an SME may choose to comply with one or the other. Meeting both criteria is not necessary and exceeding one of them is permitted without losing the status of SME.

The new definition offers such choice as, by their nature, companies in the trade and distribution sectors have larger turnovers than companies in the manufacturing sector. The possibility of choosing between the aforementioned criterion and that of total assets, which indicates the reliability of a company, ensures SMEs engaged in different types of businesses a fair and equal treatment.

MATERIAL AND METHOD

The present work deals with the development of the business environment in the county of Timiș. In the first part of the work, we have presented a description of the entrepreneurial phenomenon based on national and international literature available for this sector, as well as

national and community legislation currently in force.

The second part of the work deals with entrepreneurship in the county of Timiș. For this purpose, the study is based on national and international statistical data processing. The structure and dynamics of the business environment are analyzed based on specific indicators meant to reveal general tendencies in the quantitative and structural evolution of business initiatives in order to enhance such dynamic and structural features which need corrective interventions.

Indicators used in this analysis are: the number of companies based on size according to the number of employees; the structure of the number of companies on fields of activity and size; number of companies set up/closed down; the number of active companies; the total number of companies with foreign capital; the total volume of foreign capital invested; the number of newly set up companies with foreign capital; the annual volume of foreign capital invested.

RESULTS AND DISCUSSIONS

An initial image of the business environment in the county of Timiș outlines the analysis of the distribution of companies on economic sectors and size classes (*table 1, figure 1*).

Table 1

The evolution of the number of companies in the county of Timiș based on size according to the number of employees

Size class No. of employees	2000	2008	2009	2010	2012	2014	Growth rate
0-9	9400	21526	21134	18877	18019	19906	111,76%
10-49	1245	1946	1920	1855	2036	2039	63,77%
50-249	322	463	401	380	374	352	9,31%
>250	77	83	77	70	83	87	12,98%
Total companies	11044	24018	23532	21182	20512	22384	102,68%

Source: Data processed after the NSI database – Tempo online

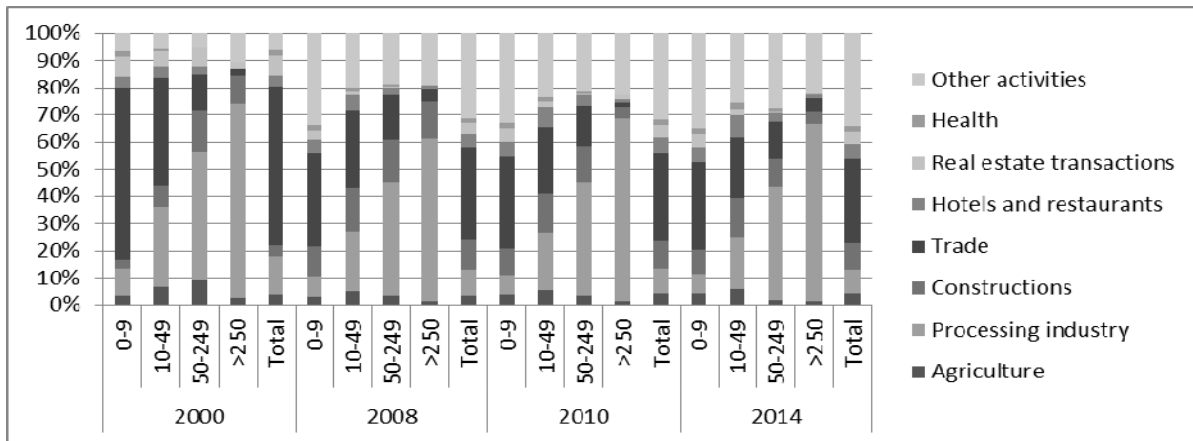
Table 1 shows a dominant position of small enterprises in the total number of companies. These companies, as further shown, provide significantly smaller work productivity, expressed in the gross added value per employee.

During 2000-2008, there is a positive trend characterized by the particular increase in the number of microenterprises, as it increases by 2.3 times, from 9400 microenterprises in 2000 to 21526 in 2008. After 2008, in the shadow of the economic crisis, the number of companies begins to decrease, with a higher rate of collapse in microenterprises. 2014 means a return to increase

for all categories of companies in the county of Timiș.

For the period analyzed, 2000-2014, the total number of companies doubled, an increase mostly supported by a larger increase in the number of microenterprises and small enterprises, with the number of medium and large companies recording a small increase, of up to 13%.

Figure 1 show, under relative structural measures, the number of companies classed on size and main sectors, relatively important to the economy of the county of Timiș.



Source: Processed after the NSI database – Tempo online

Figure 1 The structure of the number of companies based on sectors and size in the county of Timiș

We notice a large percentage of companies in the trade sector, under the 0-9 employee size class. The situation is specific to a market economy found in initial phase, such as the case of Romania (Timiș County Council, 2015). For large companies, an overwhelming percentage is held by companies in the processing industry, operating with low skilled workers. This applies to large international companies in the light industry sector, textiles, clothing, vehicle wiring and accessories, electronic equipment, that have operation points

set up in the county of Timiș, as well, due to cheaper labor.

After 1990, setting up a large number of private companies and reorganization of enterprises into state-owned companies were the main crossing points from an economy of ordering to a competition economy.

Figure 2 shows the dynamics of the business environment (company incorporations and liquidations) by years, during 2008-2015.

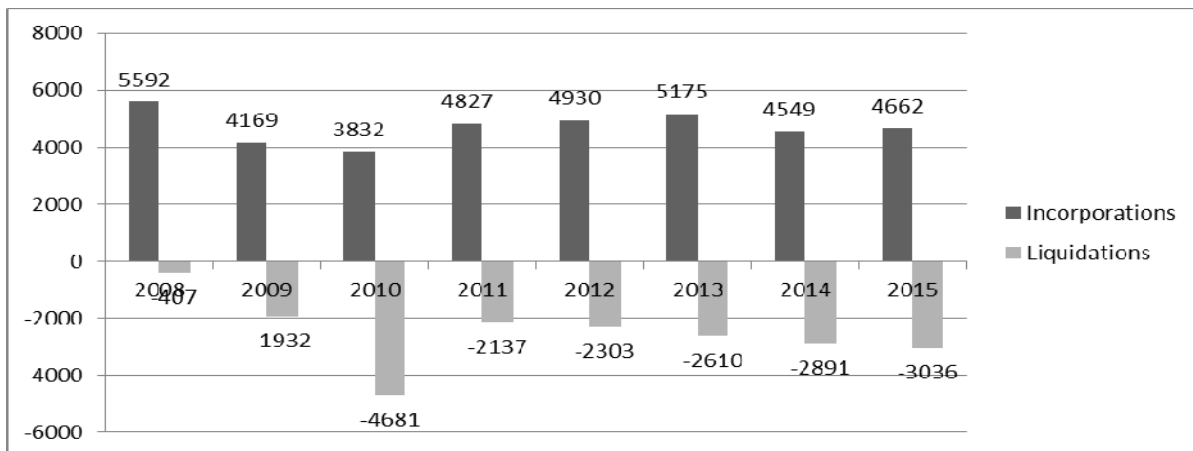


Figure 2 Dynamics of the business environment (number of incorporated/liquidated companies) in the county of Timiș (<http://www.onrc.ro/index.php/ro/statistici>)

The period analyzed shows a growth tendency in the number of companies ceasing their activity. During 2008-2010, the enhanced growth in companies liquidated on the territory of the Timiș county finds an explanation in the contraction of the business environment due to the global financial crisis. The growth tendency in the number of companies liquidated is maintained in the following years, as well, but on a smaller scale than the previous period, generally caused by a growth in market pressure, including by congestion

of such market, supported by the appearance on the market of companies from other EU regions.

At country level, as well as for all counties in the Western Region, 2008 was a turning point, leading to a U-turn from economic growth (mainly characterized by the increase in the number of active companies) to economic shrinkage (mainly characterized by the decrease in the number of active companies). The decrease was maintained during 2009-2010, as well. The most serious decrease in the number of active companies was in Hunedoara, where the number of active companies

went down by a staggering 13.19% in 2010 compared to 2008. In Timiș and Arad, the number of active enterprises went down by 11.44 – 12.91% in 2010 compared to 2008. The county of Caraș-

Severin recorded a decrease of 11.59% in the number of active companies, as this is the county with the lowest number of active companies among all Western Region counties.

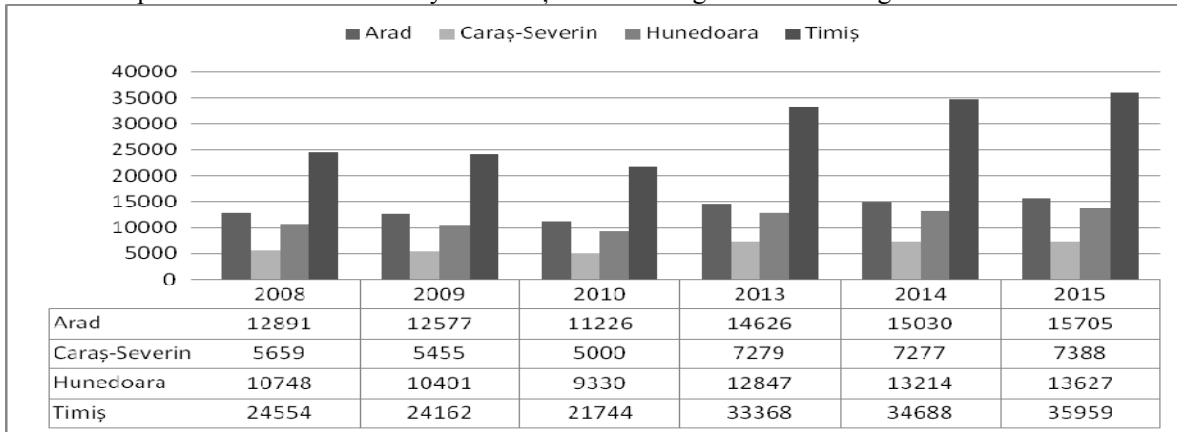


Figure 3 Dynamics of the business environment (number of active companies) in Western Region counties (<http://www.onrc.ro/index.php/ro/statistici>)

In the national ranking, the county of Timiș occupies a more favorable position, compared to other counties, concerning the foreign capital invested.

until 2015 included (figure 4), has reached the value of €1347.91 million, with the county ranked 2nd in the country (after the capital) from the point of view of foreign capital companies and the size of foreign capital invested.

The foreign capital invested in the county of Timiș, by means of shares held in companies set up

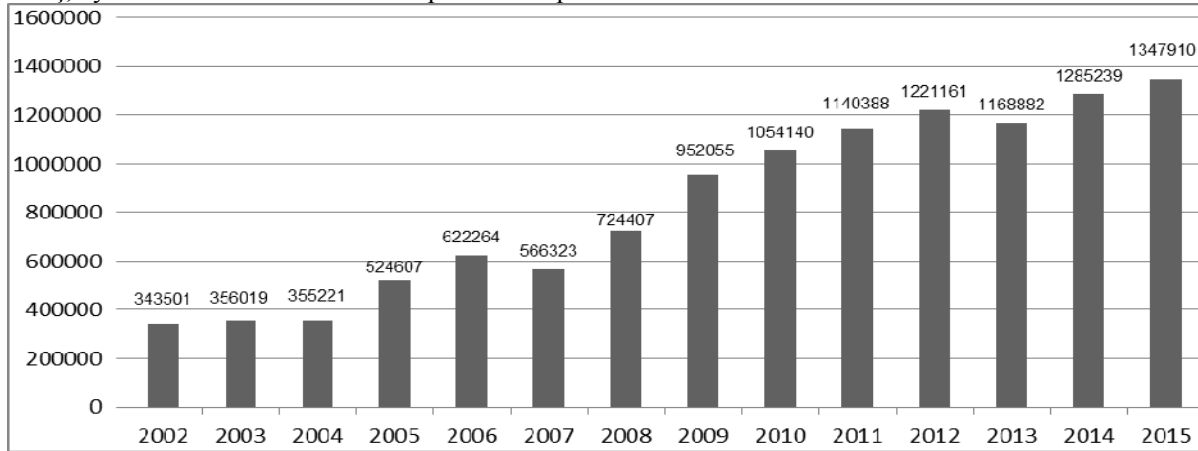


Figure 4 Volume of foreign capital invested in the county of Timiș during 2002-2015, balance at December 31 (thousand €)

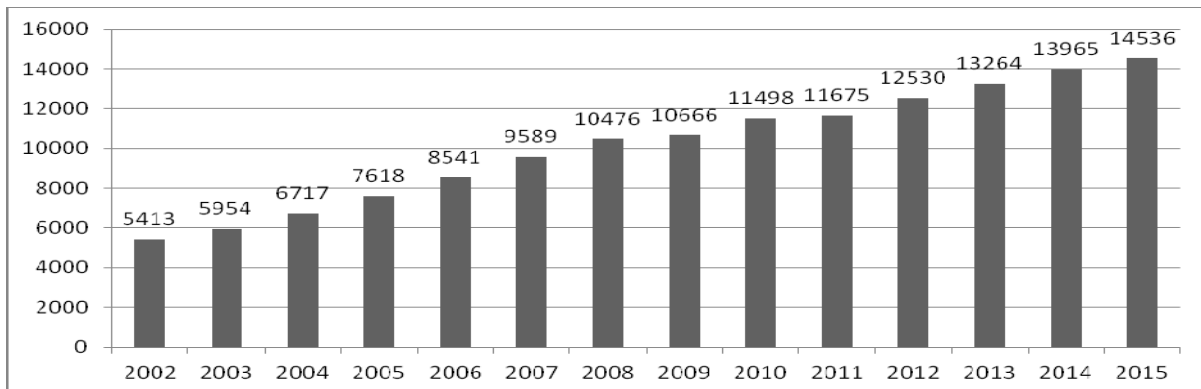


Figure 5 Number of foreign capital companies in the county of Timiș, balance at December 31 (<http://www.onrc.ro/index.php/ro/statistici>)

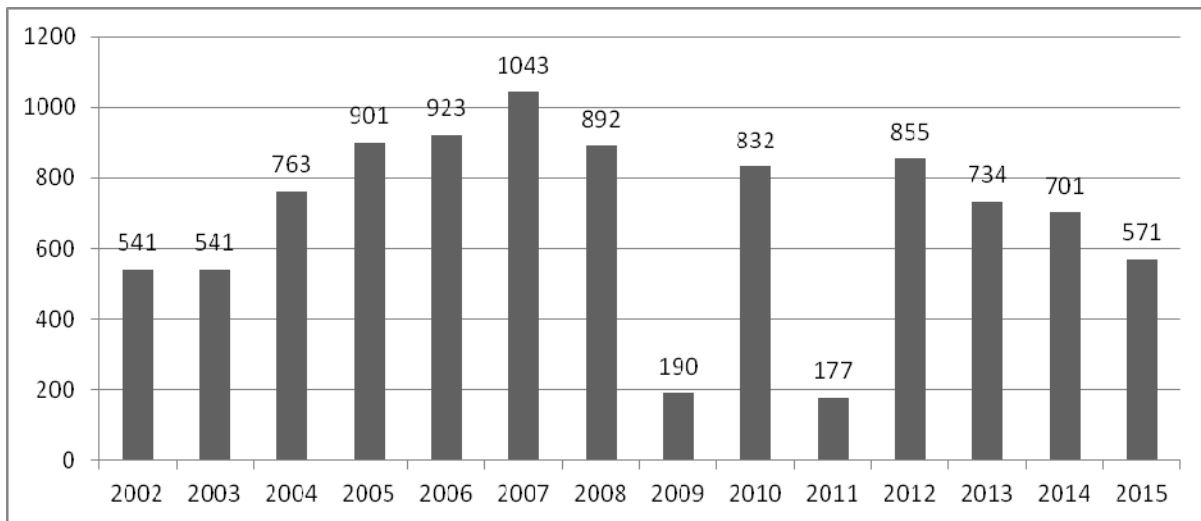


Figure 6 Annual status of newly set up foreign capital companies in the county of Timiș
(<http://www.onrc.ro/index.php/ro/statistici>)

In 2015, in the county of Timiș, there were 14536 foreign capital companies (figure 5). The annual status of new foreign capital company incorporation in the county of Timiș is presented in figure 6. One may notice quite a significant decrease in the number of newly set up companies during 2009-2011 (with an unexpected growth in 2010), a decrease owing to financial instability and austerity measures adopted during the period, thus leading to a small „appetite” of foreign investors towards our country. 2012 records an important growth in the number of foreign capital companies set up in this county. However, during the last three years, we see a lowering in the interest of foreign investors, with potentially significant consequences on the business environment in the county, particularly seeing the fact that most of the domestic capital is invested in microenterprises.

The lack of important domestic investors makes the business environment extremely vulnerable to changes in the general, national and international economic climate.

Concerning the annual evolution of foreign capital invested in the county of Timiș (figure 7), it is quite obvious that 2007 meant a significant withdrawal of capital off the local market, followed by important investments (for strengthening of companies already on the market) in 2008 and 2009 (when the number of newly set up companies is beginning to decrease). After 2009, the foreign capital annually invested in the county begins to decrease, reaching, in 2013, a minimum comparable to the one in 2007, indicating the market exit of several companies with large capitals (such as Baumax).

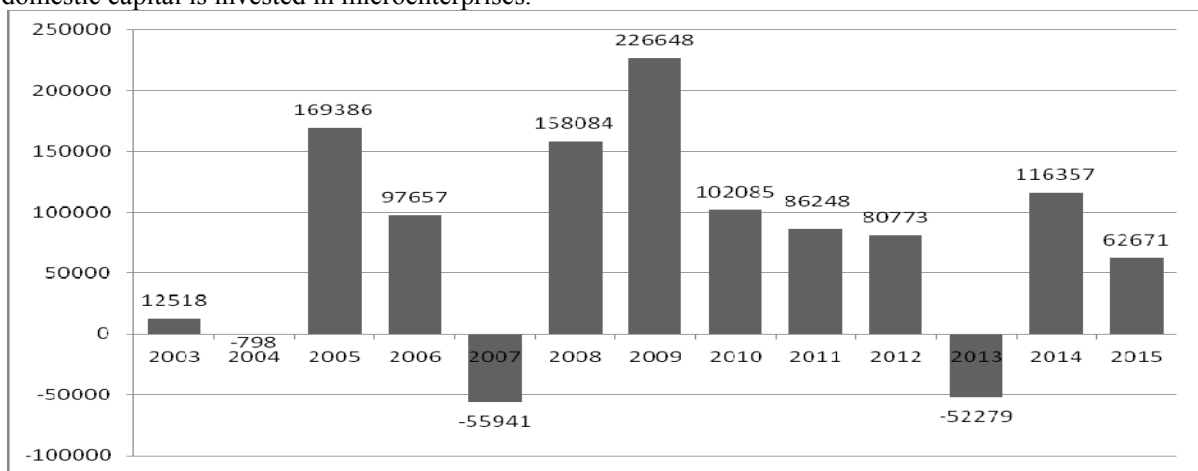


Figure 7 Annual evolution of foreign capital invested in the county of Timiș (thousand €)
(<http://www.onrc.ro/index.php/ro/statistici>)

Concerning the capture of added value in the county of Timiș, 2013 recorded a total GVA volume of €5912.67 million (Eurostat, 2016),

representing 48.96% of the Western Region and 4.65% of the total country volume.

CONCLUSIONS

The business environment is the main component defining entrepreneurial behavior.

The county of Timiș sees a dominant position of small companies in the total number of companies. These companies have significantly lower work productivity, expressed in the gross added value created.

One may notice the dominance of trade companies in the 0-9 employee size class, an instance characteristic to a market economy in an initial phase, such as Romania. For large companies, an overwhelming percentage is held by companies in the processing industry, operating with low skilled workers. This applies to large international companies in the light industry sector, textiles, clothing, vehicle wiring and accessories, electronic equipment, that have operation points set up in the county of Timiș, as well, due to cheaper labor.

The foreign capital invested in the county of Timiș, by means of shares held in companies set up until 2015 included, has reached the value of €1347.91 million, with the county ranked 2nd in the county (after the capital) from the point of view of foreign capital companies and the size of foreign capital invested.

During the last three years, we see a lowering in the interest of foreign investors, with potentially significant consequences on the business environment in the county, particularly seeing the fact that most of the domestic capital is invested in microenterprises. The lack of important domestic investors makes the business environment extremely vulnerable to changes in the general, national and international economic climate.

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