

THE ROLE OF SMALL AND MEDIUM ENTERPRISES IN THE REGIONALIZATION PROCESS – CASE STUDY

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ABSTRACT

The study presents a short economic incursion concerning the role of small and medium enterprises in the complex regionalization process of Romania and the impact of this sector on the economic development of the regions, as generating new value.

In this paper I have approached aspects related to the problematic of regionalization within the new economic context, which is marked by major turbulence with medium and long-term effects. The development disparities are a reality and, therefore, the interventions of the regional development process is designed to reduce these disparities. Through the case study presented, based on the scientific investigations in the field of small and medium enterprises, I have shown which the analyzed economic disparities are, using the following indicators: the grand domestic product per inhabitant, the number of small and medium enterprises on regions, the number of SMEs in economic sectors and development regions, the average number of employees in SMEs, the share of the turnover in SMEs at the regional level. I have also presented several factors that contribute to eliminate the disparities and develop the regions, focusing on the importance of the innovation and creation process, the development of the human resource, the specialization of regions, infrastructure and accessibility.

KEYWORDS: regionalization, public administration, small and medium enterprises, innovation.

1. INTRODUCTION

The existence of some inequalities in the economic development of different countries or within the same country among its different regions is an accepted reality, mostly explained and partially remedied.

The specialists consider that the regional development is a concept which has been recently imposed both in the economic literature and the politics of states. If the economic literature succeeded in explaining the causes of inequalities in the economic development of different regions in the European Union, this issue became a priority for the economic politics in the European Union in the last two decades.

The concrete situation of Romania, having a general level of development much below the European average and even below that of the countries in Central Europe, with regional differences that could deepen, involves the adoption of some flexible policies for regional development, which would determine a gradual attenuation of these gaps. On the other hand, the low financial resources the country has should be taken into consideration to induce an accelerated growth in lagging regions and help them come closer to the developed European countries and regions.

In such conditions, the need to redefine the policy of the regional development and its territorial projection emerged that would take into account, on one hand, the particularities of the Romanian space and the progress of the implementation of a development policy for 15 years, and, on the other hand, the achievement of the objectives occurred in the new documents of the European Union on the line of the cohesion growth at continental level – the European Union Strategy 2020. [6]

The theory of the growth poles, founded in the 50s, made the connection between the development of cities and regions, the growth pole being regarded as an economic unit able to induce regional structural changes, which can be found in the rate of growth and in the regional production development. [3]

Today's world is not a world of states anymore but of regions, from where the idea of the fragmentation of Europe in regions and consider them as the basis of continental cooperation. At the same time, the region can be a framework for analysis and differentiated development to reduce inequality within a state or a part of the European continent.

The new context of the development of Romania has a well-defined vision at continental level through strategic European documents: the EU Strategy 2020 and the Territorial Agenda 2020. Their implementation entails, objectively, the existence of some administrative regions as the basis of a genuine territorial decentralization at national level.

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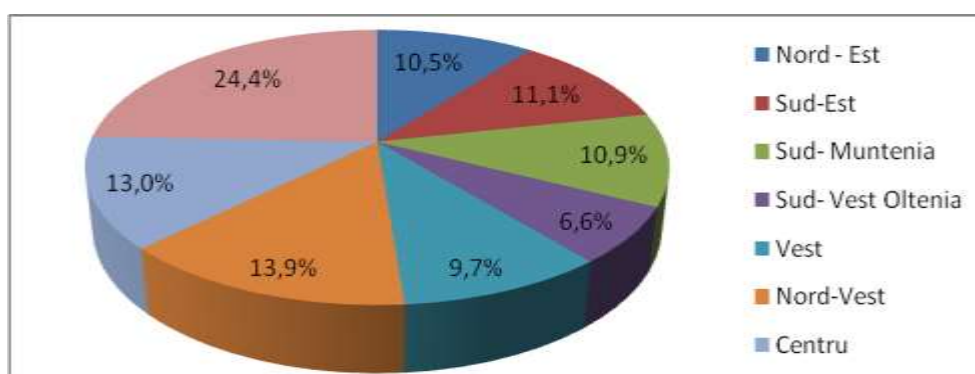
A simple economic analysis highlights the differences between the 8 regions of the country. Thus, the analysis of GDP in dynamic argues this statement, according to Table no. 1:

Table no. 1 – GDP per inhabitant

Region	Years	2007	2008	2009	2010
Total country		19315,4	23934,6	23341,4	24435,9
North-East Region		12340,9	14794,5	14649,3	15014,8
South-East Region		15641,8	19098,9	18738,2	20076,8
South Muntenia Region		15757,8	19648,1	19913,7	20288,2
South-West Oltenia Region		15097,3	17831,8	17752,8	18735,1
West Region		22341,9	26173,2	25602,4	27640,0
North-West Region		18610,5	21542,1	21297,4	21827,2
Centre Region		19579,5	22707,7	22618,8	23428,3
Bucharest-Ilfov Region		43037,3	59680,2	55079,3	58137,0

Source: INS Statistics, 2011: [4]

Thus, it can be observed that the GDP per inhabitant in Bucharest-Ilfov Region is the highest, 2.37 times higher than the national average. The poorest regions are North-East and South-West Oltenia – the GDP per inhabitant in the South-West Oltenia is 1.30 times lower than that of the country and 3.10 times lower than that of the Bucharest-Ilfov.

**Figure no. 1 GDP per inhabitant**

Also, in what concerns the basis of the economic active enterprises (the number of SMEs per regions of development), it shows large discrepancies of development between the regions of Romania, according to Table no. 2 [5]

Table no. 2 The number of SMEs per regions of development

Region	SMEs Total	Percentage	Obs.
North-East Region	50394	11%	
South-East Region	54545	12%	
South Muntenia Region	50166	11%	
South-West Oltenia Region	34021	7%	
West Region	43418	9%	
North-West Region	65009	14%	
Centre Region	56431	12%	
Bucharest-Ilfov Region	114568	24%	

Source: INS Statistics, 2011 [4]

In relation to the percentage of SMEs located within their geographical limits, the eight geographical regions can be classified into three categories:

- Bucharest-Ilfov region is the most developed and is detached from the rest of the regions having the highest number of SMEs, meaning 24% of the total;
- North-West, Centre, South-East, South Muntenia and North-East regions are situated on an average limit, with SMEs percentages between 14-11%;
- West regions, 9% and the South-West Oltenia region, 7%, with percentage in the total number of SMEs, being the most underdeveloped;

The SMEs density, calculated as a number of SMEs per 1,000 inhabitants, provides a more accurate indication on the entrepreneurship level of each region:

- Bucharest-Ilfov region has the highest density of SMEs, meaning 44.42 SMEs per 1,000 inhabitants;
- The following values are held by the North-West, Centre, West and South-East regions and they are between 22.7 to 18.8 SMEs per 1,000 inhabitants;
- The regions with the lowest density of SMEs are North-East with 13.19, South-West Oltenia with 14.79 and South Muntenia with 15.19 SMEs per 1,000 inhabitants;

The analysis of the number of SMEs in economic sectors and regions of development is of particular importance, according to the study on the current situation of the SMEs in Romania in economic sectors and regions of development [5]:

Table no. 3 The number of SMEs in economic sectors and regions of development

Sector	National	North-East	South-East	South-Munt.	South-West Oltenia	West	North-West	Centre	Bucharest Ilfov
Industry	52588	6696	5970	5811	3796	5269	8371	8041	8634
Constructions	49221	5059	4917	5662	3062	4440	8501	6238	11342
Commerce	181753	21426	24382	22652	16175	15720	22517	19960	38921
Services	184990	17213	19276	16041	10988	17989	25620	22192	55671

Source: INS Statistics, 2011 [4]

From the data analysis presented it results that the SMEs focus on services and particularly on trade. Thus, the number of SMEs in services represents 39.48% of the total number of SMEs at country level, and the number of SMEs in trade represents a percentage of 38.79%.

Given the great number of SMEs in the wide and diverse range of services and, particularly in trade, it can be said that in recent years, marked by profound changes of the market, the SMEs sector in Romania has preserved and enhanced its structure based on services. More than 40% of total of the active SMEs in services are located in Bucharest-Ilfov.

Another relevant indicator “the average number of employees in SMEs” also highlights the economic disparities among the economic regions and the future opportunities for development, as shown in the following table [5]:

Table no. 4 – The average number of employees in SMEs

Region	Total Number of employees	Percentage	No. of employees in micro-enterprises	No. of employees in small enterprises	No. of employees in medium enterprises
North-East	257639	10,5%	93385	89221	75033
South-East	271456	11,1%	97430	87769	86257
South-Muntenia	266243	10,9%	87362	88322	90559
South-West Oltenia	161335	6,6%	60481	53969	46885
West	237694	9,7%	82164	76215	79315
North-West	340938	13,9%	125004	116982	95962
Centre	318969	13%	104688	106109	108172
Bucharest-Ilfov	598718	24,4%	191954	196464	210300

Source: INS Statistics, 2011 [4]

Therefore, it is obvious that the highest percentage of the average number of employees in SMEs is 24.4% in Bucharest-Ilfov, the micro-enterprises having 22.8% of jobs, while the middle class had 26% of the SMEs employees.

On the opposite side there is South-West Oltenia region, with the lowest contribution to the number of employees in SMEs, with only 6.6% of which 7.2% are micro-enterprises, 6.6% in small enterprises and 5.9% in medium enterprises.

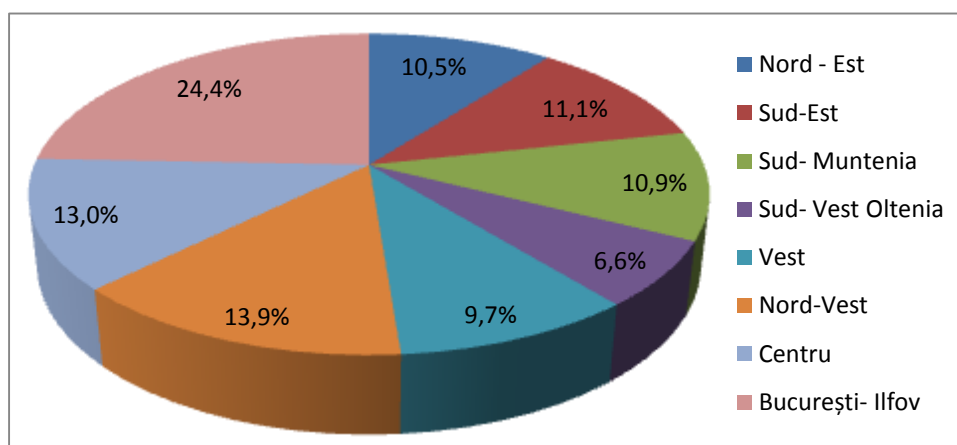


Figure no. 2 – Average number of employees

Another relevant indicator is “the turnover in small and medium enterprises”, and the percentage of the turnover in SMEs is as it follows [5]:

Table no. 5 – The percentage of the turnover in SMEs at regional level

Region	Total of SMEs	Micro	Small	Medium
Bucharest-Ilfov	39%	31,3%	37,8%	44,5%
North-West	10,9%	10,4%	11,6%	9,9%
Centre	10,6%	12,1%	10,1%	9,8%
South-East	10,2%	10,5%	10,9%	8,8%
South-Muntenia	10%	10,2%	9,4%	9,7%
North-East	7,3%	7,5%	8,2%	6%
West	7%	6,8%	7,3%	6,6%
South-West Oltenia	5%	5%	4,8%	4,8%

Source: INS Statistics, 2011

It is obvious that the economic development of each region depends very much on the basis of SMEs and their performances in local economy.

As in the case of the distribution of the number of employees in SMEs, the turnover distribution at regional level reveals that among the Romanian regions there are great differences in development.

The superior economic level and the high competitiveness of Bucharest-Ilfov region is remarked, which provides the highest percentage, meaning 39% of the national turnover. There are maximum values in this region for each class size, culminating in the case of small and medium enterprises, which achieve for nearly half of the national turnover of this class of firms, meaning a percentage of 44.5%. The poorest economic performances are recorded by SMEs in the North-East region that contribute to the total turnover of SMEs in Romania with a percentage of 7.3% and the SMEs in South-West Oltenia with only 5 %.

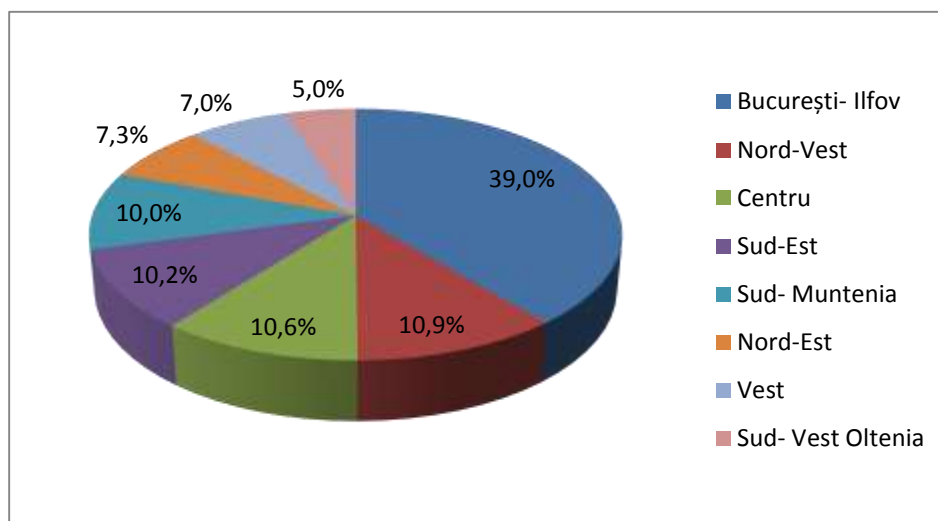


Figure no. 3 – The percentage of the turnover in SMEs at regional level

The West region has a low percentage of the turnover (7%) correlated with the low percentage of SMEs (9%), which can be objectively justified by the smallest number of inhabitants in this region. The high value of the density of SMEs (24.80%) in West Region comes to support this appreciation whose entrepreneurial base is considerable.

PERSPECTIVES FOR THE DEVELOPMENT OF REGIONS

Based on the above analysis, we see that there are strong discrepancies between the development regions of Romania and, therefore, it is necessary to rethink the development policies in order to stimulate innovation and creativity, to benefit from the implementation of several European projects and more opportunities for development. [2]

The development of a region is shown by a high gross domestic product (at regional level), by high rates of economic growth, by a high power of purchasing of citizens (high average income per capita) and by low unemployment rates.

All these are due to a number of factors such as:

- The existence of a regional “economic effervescence” shown by the high levels of local entrepreneurship. Concretely, this involves a high number of economic initiatives related to the number of inhabitants and depends on a certain entrepreneurial culture. This factor is extremely important because it is the most important measure of endogenous forces of development.
- The specialization of regions in highly productive and profitable domains of activity.
- The capacity for innovation and production of knowledge. Numerous comparative studies at the level of regions have shown that the most developed (in terms of economic criteria) are those that have a high capacity for innovation and generation of knowledge. These are the regions that have managed to implement the principles of the knowledge economy. The new type of enterprise – based on knowledge – must be a sustainable company. [1] These regions are investing heavily in the research infrastructure and are funding extensive programs of research in innovative areas.
- The human resources capacity – this refers to the existence of a high educational capital. The developed regions enjoy a well developed labor market and have the capacity to attract and maintain the highly qualified human resources, especially in the highly productive areas.
- Infrastructure and accessibility – the developed regions have high levels of economic growth due to the fact that, through the quality and density of transport and communication infrastructure, they can “reduce distances”, thus reducing the transaction costs between individuals and companies.

CONCLUSIONS

The small and medium enterprises play an extremely important role in the existing economic environment of the regionalization and highlight the entrepreneurial potential of each region, as a vector of sustainable development.

Each and every country needs dynamic and competitive regions to achieve its national objectives of economic and social development, the regional development being a complementary policy to the macroeconomic and structural policies.

The tendency to concentrate the economic activities in some regional centers can be observed. The economic activity is not equally distributed in a certain territory, the economic agents tending to group and locate in some centers which are becoming more and more powerful. It is necessary to find solutions for development for all the regions by elaborating some appropriate economic policies and strategies in the current context, which target a better management of the European funds at the regional level as well as the management and modernization of the regional transport infrastructure, health and education.

The conclusion is that the region has been and remains not only a framework for the theoretical debates, but also an administrative framework, which has been adopted by many countries in Europe to measure the regional disparities and to better organize the territory from the sub-national level. The results obtained using the region as a tool to achieve the territorial cohesion, demonstrate its ability to provide a real development of that state.

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