

THE ROLE OF TRADE IN THE DEVELOPMENT OF ROMANIAN ECONOMY

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Abstract

Trade and the services sector represent the essential infrastructure necessary for the operation of any national economy, either developed or developing. Currently, framing in time and space the role that trade plays in a changing society, acquires a special meaning as a result of changes occurring in the course of some large-scale phenomena, such as integration and globalization. The phenomenon of economic growth and, in particular, the economic development appears inextricably linked, in the modern era, to a complex of structural changes that occur not only in the relations between sectors, but also in each economic sector. Continuous expansion of trade suggests that the growth potential of European economies will depend increasingly more on the competitiveness of trade. In most countries, the development of trade has an important contribution to economic development.

Keywords: trade, economic growth, economy, consumers, gross domestic product, E-commerce

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1. Introduction

The relationships of strong interdependence between industry and some services deemed, by proportion and dynamics, to be most significant require the development of a services sector in our country, that of services for businesses (trade, transport, financial intermediation services). More specifically, international experience shows that, along with the fast evolution of technological level in all industries and application of computer and telecommunications technologies in any business, comes an increased volume of commercial activity. In parallel with the integration of industry in the service sector, reflected by the high share that modern production represents in the total services, there is a process of convergence between the two sectors. There are numerous indications that manufacturing businesses in developed countries use frequently the new information technologies, along with new organizational models, developing strategies meant to involve more the consumers of their products in the product's design process, reduce inventory and bring closer in time production and consumption (Ionică M, 2006).

Participation of Romanian traders to national and international economic and financial transactions is a particularly important source of income and sustainable economic growth, but also for achieving a dynamic equilibrium of internal and external balance of payments of our country, since economic relations and trade, in all forms and ways in which they are done, have gained importance for balance and economic growth of businesses at both regional and international level, thus the economic development being directly proportional to our national and international trade.

Romania's participation in the worldwide economic circuit must ensure the use of external economic exchanges as factor of economic growth. This requires an appropriate trade policy because global commercial supremacy belonged, with priority, to those countries that promoted free trade and allow free competition between domestic and foreign products, creating in this way the prerequisites for the privileged position that many of them occupy even today in global trade which is strongly anchored in the processes of regionalization and globalization.

Today, international trade has an important contribution to economic growth and increase of the general welfare of our country. Sustainable development of exporting sectors can significantly contribute to potentiating specialization and sustained economic growth. Ensuring economic growth requires that other factors influencing economic growth, besides exports, undergo some great developments. Attracting foreign direct investment and increasing the investment in physical and human capital must be a priority for Romania. Putting the Romanian foreign trade next to other growth factors may provide the continuation of restructuring and revamping with lasting effects on growth of income per capita and general welfare of the country (Giurgiu A, 2008).

2. Trade Functions – the link between producers and consumers

Representing one of the oldest human occupations, trade plays an important role for both producers and consumers, through the tasks undertaken and particularly by exceeding its status of simple intermediary. The role of trade is pointed out by the functions it performs in the economy, contributing to the improvement of life quality through social

responsibility and ethics, and by the benefits it creates in relation to producers and consumers. Among the most important functions that trade performs to create the link between production and consumption, we can enumerate (Patriche, 2002):

- Preparing goods for sale, this consists of fractioning large batches, matching the respective batches, mixing of products, packaging, labeling, etc. Trade provides through this function a better fit of goods in relation to customer requirements without altering the essential features of the product.
- Achieving the best communication and ensuring the flow of information between suppliers and customers in the market. Trade is an instrument for communication and education, able to influence consumers, being used by some non-governmental organizations and especially by the government.
- Organizing the movement of goods, i.e. the transfer of goods to areas and most remote and isolated destinations, to be sold to consumers. Trade must cover by this function the space that separates points of production from consumption points. Achieving this function implies, on the one hand, a good knowledge of the market where every commercial enterprise functions with its benefits, specific restrictions and conditions, and on the other hand, the need of choosing the suppliers closest in space, more direct routes and shorter transfer of goods.
- Storage of goods, which takes the form of a permanent concern for ensuring the balance between a diversified supply and a fluctuating and unpredictable demand. This feature is due to the place trade holds between production and consumption, being an intermediary.
- Manufacturers are influenced by consumers' demands which are helping them to adjust production and market vision according to the real demand. Most market researchers and economists emphasize that, in the current economy, the final consumer is the one who dictates, because, in general, he is sufficiently aware and educated, taking over the power to choose between the substitutable products of a large number of manufacturers who are in a fierce competition for the market shares. Getting close to the consumer is an advantage for trade compared to industry. The trade can contribute more timely to an accurate adaptation of products to consumer requirements and will accelerate the growth of social welfare. So we can say that entrepreneurship has become and should be considered a productive activity.
- Developing a diversified offer based on anticipating the characteristics of potential and actual customers' demand.
- Reducing, in terms of consumers, the transition costs and promoting products that generate accelerated movement of goods, with benefits for the whole economy.
- Ensuring the necessary conditions for the act of sale. To achieve this function, trade must have a network of facilities and trained personnel capable to realize the commercial activity.

By the functions it performs, trade ensures a better serve of the interests of both producers and consumers. Commercial activity should be considered a productive activity as it increases the incomes of both partners in the transaction and ultimately the national economy. By James D. Gwartney and Richard L. Stroup, the main reasons why trade is productive are (Gwartney and Stroup, 1995):

- Trade channels all goods and services to those who value them more;
- Trade allows business partners to succeed, by making the decision to specialize in the production of those goods that they think they do best.
- Trade offers the opportunity of gains from the division of labor, cooperative effort and adoption of large-scale production methods.

The role of trade, from the consumers' perspective, is to extend of the manners of information and the possibility of choice from a large range of products competing on the market.

Trade contribution to the quality of life is visible and significant, being achieved both by the contribution of added value in commerce to GDP and the driving effect which it exercises over all the other economic activities.

3. Importance of commerce in national economy

In order to study the role of trade in the national economy we have to highlight the limits of its rational development, since it can be currently observed a tendency to oversize commercial activity in relation to gross domestic product growth and the requirements of its normal movement. The possibility of using commercial capital at any level of economic activity and its rotation with rapidity compared to other forms of capital (industrial, agricultural or banking) determines the attraction for trade of an increasingly larger number of entrepreneurs with low capital, which they want in a short time to turn it profitable.

Importance of trade in any country lies in the fact that, regardless of the country's level of development, it holds significant shares in the GDP. In Romania, the share of trade in GDP was as follows: in 2008 - 2009 19 %, in 2010 it has increased to 21, 4 %, and for the following period the growth prospects were not too encouraging, considering that the VAT increase and lower revenues for state employees caused a reduction in the purchasing power of the population; so the trend was descendant and the percentage went down to 11% in 2013 (Statistical Yearbook of Romania 2008 – 2013). Labor productivity has increased much more than in other countries, but if the growth of GDP is not accompanied by a significant

increase in the number of employees, the structural problems we face (i.e. the number of taxpayers and the employment rate) will not find resolution.

Because of the trade's role in the economy and strongly customized character of labor, a large number of people find jobs in this sector and the number of commercial/trade enterprises (small and often individual firms) is up to 20% of a country's businesses. Exports are one of the most effective ways to capitalize their production and increase the wealth of a country, to balance of external payments balance and achieve macroeconomic stability, and imports are a source of diversification and completion of the internal supply of production or consumption goods. Developed countries are the largest exporters and importers of the world, and Romania, which is ranking among the last of the former socialist countries, exports 4, 4 times more than in 2000, up from 11, 3 billion to 49, 6 billion Euros in 2013. When we talk about external commercial transactions, not only exports in absolute value counts, but net exports and dynamics of imports are of importance as well. Net exports had a negative contribution to GDP in the last 14 years, but this negative contribution has faded in recent years, reaching - 1% of GDP in 2013. Gross domestic product has increased 1, 56 times in the last 14 years, from 91 billion to 142 billion. However, from regional development perspective, Romania has registered an unbalanced development, for example the Bucharest - Ilfov region contributing with 26, 6% of GDP compared to 8, 1%, which is the share of South - West Oltenia region (ADR Sud-Vest Oltenia, Economia regiunilor).

Global economy evolution, highlights that trade, especially retail commerce, is a very dynamic economic sector, the trade activity going through deep changes in all areas: sales methods, forms of distribution, geographical distribution of business management. Retail plays an important role in the distribution of products, representing the intermediary link in the flow of producer-consumer relationships. Modern economy has created new requirements in retailing, by pointing out the necessity to include, besides sale itself, the implementation of services; these may lead to the improvement of customers' satisfaction system and thus to increase their satisfaction. These services can be provided by retailers themselves, e.g. consulting or fitting of products, and a lot of services are provided in collaboration with other specialized units such as on the transportation of goods at home, post-sale installation and warranty, social assistance, various customized services.

The turnover of retail enterprises (except of the trade with vehicles and motorcycles), series adjusted according to season and number of working days, recorded in the first five months of 2014 an increase by 7, 8% compared to the previous year due to higher sales of non-food products (11.9%), sales of food, beverages and tobacco (+6.5%) and retail trade of automotive fuel in specialized stores (+ 3.8%). For example, in May 2014, compared with May 2013, the trade activities rose by 9.2% due to growths in sales of non-food products (15.9%), sales of food, beverages and tobacco (+6.6%) and retail trade of fuel in specialized stores (+1.6%). As series adapted depending on the number of working days and seasonality, the commercial businesses went up by 10.1% due to higher sales of non-food products (16.6%), sales of food, beverages and tobacco (+6, 6%) and retail trade of automotive fuel in specialized stores (+3.6%) (www.businessday.ro).

Years of economic crisis that culminated with measures to reduce household income and VAT increase, brought major changes in the retail panel of Romania. In early 2011, 62.719 companies registered with retail as their main activity, compared to 86 436 companies registered in early 2008. Most retail companies that became insolvent or bankrupt were among small companies, with at least 9 employees, because they were the most affected by the expansion of large retail networks. Only in 2010, 12.183 small businesses ceased their activity. Compared to the period 2005 - 2000 when 1, 67 new firms specialized in retail appeared for each firm radiated, in 2010 for each business in retail only 0.27 new firms were established in the same domain, i.e. for 4 companies dissolved only one new appears. Big companies were not spared from the threat of creditors. In 2013, 4,700 confronted the crisis and opened a business in retail activity, namely the sale of food, beverages and tobacco (Banca Națională a României, 2012).

In recent decades, the explosive growth of Internet has also revolutionized the trade, E-commerce causing radical changes in the economy, both nationally and globally. Development of electronic commerce accelerates globalization by overcoming the barriers of traditional trade.

E-commerce in Romania takes three main forms: traders with product catalogs online and payment on delivery, merchants who accept payment cards in real-time, by 3-D secure protocol and electronic auction sites, for government procurement.

Companies using electronic commerce have the following advantages: reduction of costs, increase the speed of communication, especially for international communications, alternative sales channels, strengthen their relationships with customers or suppliers.

According to the experts, e-commerce has increased worldwide, and more than one third of its value is represented by businesses closed between companies.

In Romania, e-commerce is developing gradually due to the lack of a regulatory legal framework meant to enable and protect its development and investment costs in this field. In the past seven years, the e-commerce online payment increased from 10 million to over 165 million Euros, keeping a constant double-digit growth rate even during the crisis. In the first nine months of 2012, the e-commerce online payment increased by 38% over the same period of 2011, exceeding

the total recorded in 2011. Thus, Romanians paid online products and services amounting to 165.8 million Euros, PayU platform recording transaction worth 138.4 million Euros. Penetration rate of online payment increases at a slower rate, being relatively steady in the past two years. This demonstrates that online payment does not move money from offline, but it brings a real increase of revenues. Producers must provide those products and services that traders need so that seamlessly integrate them in the logistical and operational flows. 86% of this type of purchases were made in Romania, the remaining transactions being from other countries, especially Italy, UK, Spain, France, Germany, Ireland, Belgium, Cyprus, etc.

In certain industries, there is a significant increase in the shopping cart. The average value of online donations increased by 184%, from 35 Euros to 99 Euros and an average shopping basket, in the case of clothing, increased by 53%, from 73 Euros to 112 Euros.

In Romania, PayU is the leader in online payments, with over 2 million transactions processed in 2011, amounting to 138.8 million Euros and a market share of 88% from the total volume of Romcard. From 2006 to present, the company processed 83% of the total volume of online payments.

According to a study conducted in Romania in February 2013 by Daedalus Millward Brown research company, the most used e-commerce service is paying utilities, 42.8% of those who shopped online in the last six months were also paying online their taxes and telephone, electricity, gas or cable bills. The second place is occupied by clothing / shoes products (38%), followed by electronic products (37%) and cosmetics / perfumes (34%). Food (7.2%), sports products (6.8%) and music and movies (6.3%) are rarely bought online (Giurgiu A).

The trend of Romanian electronic commerce is upward and the number of virtual stores increases rapidly as well as the number of customers who shop online.

Advantages of e-commerce are:

- the virtual trader benefits from lower costs than normal trader, online stores do not pay rent, do not require the same workforce so hence costs are lower;
- for traders who already have a business and the website is an extension of their activity, the benefits are immediate: increased number of customers, the ability to penetrate new markets, a better image, and higher sales.

The evolution of online commerce is marked by psychological blockage: lack of confidence and conservatism of buyers, institutional aspects: it is not possible to implement a real procedure of online payment due to the lack of a structure able to endorse and coordinate payments online, technical problems: the number of Internet users is still small compared to the entire population, and media deficiencies: insufficient promotion of trade. However, e-commerce will continue to grow both in terms of number of operators and total turnover.

Modernization of trade responds positively to the most demanding attribute of sustainable economic growth, eco-development or preserving unspoiled the natural environment. Trade has a contradictory effect on natural environment, specifically the human habitat, because it contains elements that lead to environmental pollution (uncontrolled access to touristic values, a huge amount of non-degradable packaging, etc.) when their organization is neglected, but on the other hand, stores are elements of urban civilization and they educate the consumer through their arrangement and presentation of goods, creating the need for new products. Trade and industry can be effectively involved in eco-development and participation to save economic resources, namely by promoting new products on the market; it is necessary to create a balance between the elaboration of new products and preservation of traditional products, thus removing the waste of resources in the economy and avoiding investments in new products which are not justified by their functionality.

Conclusions

Trade adapts more easily to the market's constantly changing and various requirements, being very sensitive to fluctuations in the economy, but remaining, even in times of recession, a key factor in identifying the responsibilities of social ethics in the market and in encouraging employment. From the consumer perspective, trade is regarded increasingly as a powerful social factor that helps maintain and promote community values and oppose the tendency of some individuals to isolate. Trade is the mirror image of civilization and welfare of a community, as well as a reflection of the value system that dominates the community.

In any country, the trade, regardless of its development degree has significant shares in GDP creation. In our country the share of trade in GDP has dropped at almost half compared to 2010, due the increase of VAT and revenues decrease, all causing a reduction in the purchasing power of the population.

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E-commerce follows an upward trend in Romania; the level of online sales and services is growing every day even if it is below the EU average. So the activity in this sector is oriented in the right direction. More and more foreign corporate groups are interested in the Romanian market and decide to invest in it. These are favorable conditions for transforming Romanian trade in a competitive one.

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