

# ANALYSIS OF SMALL AND MEDIUM-SIZED ENTERPRISES (SMES) LOCATED IN TIMIS COUNTY

**Laura Brancu**<sup>513</sup>

**Mariana Prediscan**<sup>514</sup>

**Nicolae Bibu**<sup>515</sup>

*West University of Timisoara, Faculty of Economics and Business Administration*

*Abstract. This article is aimed to present and analyse the small and medium-sized enterprises (SMEs) located in Timis County. Timis County has a number of advantages related to its geographical position, its industrial tradition and especially its economic and social potential. These advantages allow a pronounced development of entrepreneurial phenomenon. For these reasons, we focused our attention on the analysis of SMEs. The analysis observes both the evolution of the number of SMEs, their distribution on branches, and their entrepreneurial dynamics, by performing a comparison between Timis County and Romania. The article ends with some information on business and services infrastructure provided to county's SMEs and on support at county level.*

## **1. Timis County. Overview**

Timiș County, part of Romania's territory, is located in the West of the country and borders to the West with Serbia and Montenegro and Hungary, to the East with Hunedoara County, to the South-East with Caraș-Severin County, and to the North with Arad County. The capital town, Timișoara, is located at an average distance of approximately 550 km from Romania's capital – Bucharest, and approximately 170 km and 300 km from Belgrade and Budapest, the capitals of the two neighbouring countries, Serbia and Montenegro and Hungary respectively.

The county's geographical location is beneficial for the development of commercial relationships with Western Europe. In order to allow maximum exploitation of the geographical position from an economic point of view, it is necessary to have and maintain a high level dense and modern communication network.

## **2. Situation of SMEs – demography of SMEs in Timis County**

### **2.1. Number of SMEs - absolute, relative, comparative and evolutionary**

In terms of demographics, as at 31 December 2007, the number of SMEs in Romania has continued to increase, in both number of active SMEs, and structure on categories of size, economic sectors and in almost all sub-sectors of manufacturing industry. This evolution demonstrates the ability to face competition on an enlarged domestic market, as well as sustainable development of private sector emerging in Romania.

With this feature, the evolution of SMEs in Romania is part of the trends in the European Union. The role of SMEs continues to be a development feature in EU Member States, both among old members and in the new Member States, related to the support of entrepreneurial spirit and development of emerging private sector.

Table 3 presents the number of active SMEs in Romania and Timiș County during 2000-2007, on categories of size.

---

<sup>513</sup> Contact person, Laura Brancu, Assistant professor, PhD., West University of Timisoara, Faculty of Economics and Business Administration, email : laura.brancu@feaa.uvt.ro

<sup>514</sup> Professor, PhD., West University of Timisoara, Faculty of Economics and Business Administration.

<sup>515</sup> Professor, PhD., West University of Timisoara, Faculty of Economics and Business Administration.

**Table 3. Number of active SMEs in Romania and Timiș County during 2000-2007.**

	2000	2001	2002	2003	2004	2005	2006	2007
<b>Romania</b>	412429	412332	415491	459369	404300	434847	463504	487628
<b>Timiș</b>	11044	11668	12318	14291	16525	18576	20380	22394
<b>Weight Timiș</b>	2,68	2,83	2,96	3,11	4,09	4,27	4,40	4,59

Source: Ministry for Small and Medium-Sized Enterprises, Commerce, Tourism and Liberal Professions, *Annual Report SME 2008*, Regional Statistics Authority Timiș and authors' calculations.

Since 1990, small and medium-sized enterprises in Timiș County have experienced an important development in the county's economy, currently representing approximately 95% of all companies registered with the Trade Register, including authorised individuals or family associations. The analysis of SMEs' structure shows that most of the labour force in this field is engaged in services, trade and import – export operations. The growing trend of the sector of small and medium-sized enterprises represents an important potential for Timiș County, its dynamics being reflected by increased contribution of small and medium-sized enterprises to GDP (over 40%). The particular conditions of Timiș County, its entrepreneurial traditions, the western mentality of its inhabitants and initiative spirit unaltered in the communist period, its geographical position, living standards of the population, which in the western part is higher in comparison to the rest of the country, as well as the relatively high capitalization capacities, are in favour of continuous development of small and medium-sized enterprises.

In terms of the number of SMEs, both in the Western Region and in Timiș County, in 2007, there has been recorded the highest number of active SMEs, after a period of increasing demographic evolution. This increase is shown in table 1, which indicates the **weight of Timiș County SMEs in the total number of SMEs in România**, throughout the reviewed period. Thus, we observe an important increase of the weight of Timiș County, from 2.68% to 4.59%.

According to Regional Statistics Authority Timiș, as at 31 December 2007, there were 52,003 SMEs in the Western Region, which means an increase of 63.3% in comparison to 2000. At the end of 2007, in Timiș County there were 22,394 active enterprises, and the growth percentage during the reviewed period is much higher, of 102.7%, demonstrating once again the dynamism of Timiș County.

In terms of aggregate dynamics, synthetic data in table 1 show a constant increasing evolution, at the end of 2007 reaching the highest number recorded since 2000. This constant increasing dynamics recorded in the Western Region and Timiș County differs from the oscillating dynamics of the number of SMEs during 2000-2007 in Romania, marked by increases in 2002 and especially in 2003, followed by a quite important decline in 2004, when it has been reported a loss of approximately 55,000 active companies. We also observe that Timiș County has more than 40% of all SMEs in the Western Region.

## **2.2. Structure of SMEs by size categories**

After the Revolution of 1989, there were important mutations in Timiș County economy, by means of set-up of a large number of private companies and reorganization of enterprises into state-owned trade companies. At the end of 2007, in Timiș County there were 22,394 active enterprises, out of which: 19,845 micro-companies (0-9 employees), 1,993 small enterprises (10-49 employees), 474 medium-size enterprises (50-249 employees), and 82 large companies (over 250 employees). The number of active enterprises in Timiș County has increased progressively, particularly the number of micro-companies, a sign of a dynamic business environment, marked by strong competition, especially at the level of small entrepreneurs.

In terms of size categories, the Western Region and Timiș County do not register significant deviations from the country's average. As per table 2, we observe that in the structure by size categories, micro-companies continued to hold the highest weight in SMEs' sector. According to table 5, in 2007, micro-companies represented 88.3% of total SMEs in the Western Region and 88.6% of total SMEs in Timiș County.

**Table 4. Number of active SMEs in Romania and in Timiș County during 2000-2007, by size categories.**

	2000	2001	2002	2003	2004	2005	2006	2007
<b>Romania</b>								
<b>Micro</b>	375.804	374.255	377.499	417.366	358.787	386.561	410.763	431.029
<b>Small</b>	29.121	30.340	30.231	33.856	36.392	39.128	43.419	47.022
<b>Medium</b>	7.504	7.737	7.761	8.147	9.121	9.158	9.322	9.577
<b>Total</b>	412.429	412.332	415.491	459.369	404.300	434.847	463.504	487.628
<b>Timiș</b>								
<b>Micro</b>	9400	9910	10536	12368	14476	16328	17999	19845
<b>Small</b>	1245	1336	1338	1448	1556	1737	1845	1993
<b>Medium</b>	322	343	370	395	409	430	461	474
<b>Total</b>	11044	11668	12318	14291	16525	18576	20380	22394

Source: Ministry for Small and Medium-Sized Enterprises, Commerce, Tourism and Liberal Professions, *Annual Report SME 2008*, and data provided by Regional Statistics Authority Timiș

**Table 5. Structure of SMEs by size categories in 2007 (percentage)**

	Romania	Western Region	Timiș County
<b>Micro</b>	88	88,3	88,6
<b>Small</b>	10	9,7	9,4
<b>Medium</b>	2	2	2

Source: data provided by INSSE Timiș and Ministry for Small and Medium-Sized Enterprises, Commerce, Tourism and Liberal Professions, *Annual Report SME 2008*.

The large number of micro-companies is due on one hand to the fact that this is the first step in business for most entrepreneurs, and on the other hand it is the result of important institutional, legislative factors, and, last but not least, of tax policies. In 2007, micro-companies have benefited of a number of facilities in respect to taxation (1.5-2% of turnover, in comparison with the single rate of 16% for the other size categories). Encouraging outsourcing of services, together with the introduction of the New Labour Code in March 2003, with subsequent amendments, has led to a great extent to the increase of their number.

### 2.3. SMEs by sectors

During the analysed period, the number of active SMEs in Romania and in Timiș County continued to grow in all economic sectors. In the first year of Romania's EU accession, the number of active SMEs increased in all activity fields, compared to 2006, pre-accession. Various activity fields increased very different. Thus, a special dynamics has been observed in constructions, where growth was more pronounced, while for the other sectors the increase was lower.

**Table 6. Number of private active SMEs by activity sectors in Romania and Timiș County**

	2000	2001	2002	2003	2004	2005	2006	2007
<b>Romania</b>								
<b>Agriculture, forestry</b>	9925	10720	10523	13704	11746	11958	12859	14036
<b>Industry, energy</b>	45719	47693	52923	59555	54993	55718	56873	59492
<b>Constructions</b>	11808	13402	18842	24542	25197	29265	34757	45896
<b>Services</b>	344977	340517	333203	361568	312364	337906	359015	368204
<b>Timiș</b>								
<b>Agriculture, forestry</b>	320	317	404	503	595	605	668	718
<b>Industry, energy</b>	1560	1698	1829	2035	2171	2320	2391	2443
<b>Constructions</b>	473	619	731	973	1190	1440	1748	2236
<b>Services</b>	8580	8922	9244	10672	12459	14101	15458	16883

Source: Ministry for Small and Medium-Sized Enterprises, Commerce, Tourism and Liberal Professions, *Annual Report SME 2008*, and Regional Statistics Authority Timiș

The explanation for the pronounced increase in services and constructions is simple and directly related to county's overall economic growth and to the development of real estate sector, but also to the tradition of Timiș County. This increase is related to the overall development of the country and business in this sector. Development of construction companies is related to the expansion of urban infrastructure for local and national roads, sewerage and water supply. To a significant weight, increase in the number of construction SMEs should be associated also with the multiplication of opportunities for industrial works, as well as rehabilitation of transportation infrastructure, with works in the energy sector, including alternative energies, in the commercial sector (large commercial and recreation centres, malls) and in the socio-cultural and educational sectors (rehabilitation of schools), etc. In Timiș County, agriculture also experienced a significant increase in number of SMEs. One can only say that industry has recorded a slower place of growth during the period under review.

As regards the **weight of various sectors in total SMEs**, Timiș County keeps the features recorded at country level: the highest weight is recorded in the services sector.

**Table 7. Weight of various sectors in total SME, in Romania and in Timiș County (percentage, 2000-2007)**

Sector	2000	2001	2002	2003	2004	2005	2006	2007
<b>Romania</b>								
<b>Agriculture, forestry</b>	2,41	2,60	2,53	2,98	2,91	2,75	2,77	2,88
<b>Industry, energy</b>	11,09	11,57	12,74	12,96	13,60	12,81	12,27	12,20
<b>Constructions</b>	2,86	3,25	4,53	5,34	6,23	6,73	7,50	9,41
<b>Services</b>	83,65	82,58	80,19	78,71	77,26	77,71	77,46	75,51
<b>Timiș</b>								
<b>Agriculture, forestry</b>	2,90	2,72	3,28	3,52	3,60	3,26	3,28	3,21
<b>Industry, energy</b>	14,13	14,55	14,85	14,24	13,14	12,49	11,73	10,91

<b>Constructions</b>	4,28	5,31	5,93	6,81	7,20	7,75	8,58	9,98
<b>Services</b>	77,69	76,47	75,04	74,68	75,39	75,91	75,85	75,39

Source: calculations made by authors based on statistical data

By analysing the **weight of Timiș County in total SMEs in Romania**, by activity sectors, we observe an increasing evolution of the weight of Timiș County. We also observe that the highest growth was recorded in the services sector.

**Table 8. Evolution of the weight of Timiș County in total SMEs in Romania (by activity sectors)**

<b>Sector</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Agriculture, forestry</b>	3,22	2,96	3,84	3,67	5,07	5,06	5,19	5,12
<b>Industry, energy</b>	3,41	3,56	3,46	3,42	3,95	4,16	4,20	4,11
<b>Constructions</b>	4,01	4,62	3,88	3,96	4,72	4,92	5,03	4,87
<b>Services</b>	2,49	2,62	2,77	2,95	3,99	4,17	4,31	4,59

Source: calculations made by authors based on statistical data

The evolution of weight by sectors is quite sinuously, but also the growth trend recorded by all activity sectors. We also observe the “services” curve, which recorded the biggest increases. Therefore, in terms of demography, SMEs in Timiș County have the features of a type of service-based economy. Thus, evolution of SME in the county does not diverge from the evolution recorded by Romania in the period 2000-2007.

#### **2.4. Elements of SMEs demographics: density, dynamics of set-up and cancellation**

Due to their nature and scale at which they develop activities, SMEs are very connected to the local market, as most of them appear at local level and act locally or regionally. Thus, the number of SMEs per 1,000 inhabitants, an indicator showing density of SMEs, is highly relevant to characterise both the size of regional markets, and the in-depth development of SMEs sector in Romania. Average density for 2007 in Romania amounted to 23 SMEs per 1,000 inhabitants. We observe that both the Western Region and Timiș County have recorded values over the national average.

**Table 9. Density of SMEs (2007)**

<b>County</b>	<b>No. of companies /1,000 inhabitants</b>
Timiș	32,5
Western Region	24,3

Source: *White Paper of SME - 2007*, CNIPMMR, 2007.

This shows that the overall economic environment at county level is translated through a high quality business infrastructure, skilled labour force, higher regional purchasing power, larger markets and greater opportunities – factors that also sustain development of SMEs sector, at least in numerical terms.

As regards territorial dynamics of SMEs in Timiș County, there is an increasing evolution in the number of registrations and a low weight of cancellations, representing 4.60% of the number of registrations for 2007.

## ***2.5. Complementary aspects: business and services infrastructure provided to SMEs in Timis County, competitiveness and innovation (TIC), support initiatives and actions at county level***

In Timiș County, the sector of public and private services has experienced a positive qualitative development. Public institutions and private companies active in this field are standing out through an increasingly high degree professionalism and efficiency. Investors are supported in initiating, consolidating and developing their business through professional services provided by prestigious local domestic and international consulting companies, such as PricewaterhouseCoopers, KPMG and others. In addition to the specialised offer of private companies, local and county public administration authorities undertake the role of main agent for local economic and social development. In this respect, in 1995, the Timis County Council has set-up the Agency for Economic and Social Development Timis – ADETIM. As specialised public institution, ADETIM's role is to support and stimulate the county's economic development, through specific methods. Furthermore, in 64 localities there were created positions of local economic promoters. Their role, similar to the Agency, consists also in providing a professional and efficient interface between the private sector and local administration. "One-stop-shop" professional consulting services for foreign and domestic investors are provided permanently and free of charge at the headquarters of local administrations, in relation to local business and investment opportunities. The Timisoara Chamber of Commerce, Industry and Agriculture (CCIAT) is representing the interests of member companies and is offering specific professional services. The Confederation of Private Entrepreneurs of Timis County (CIPT) represents the interests of the SME sector and provides specialised consulting services in areas of interests.

In accordance with strategic priorities of Romanian Government for supporting SMEs' development, the Development Strategy of the Western Region provides a series of measures to support and develop SMEs in the region and to ensure a proper business infrastructure for this development, of which we mention:

### **- Development of business infrastructure:**

- ✓ Improvement of regulatory environment and removal of administrative-bureaucratic barrier,
- ✓ Creation of industrial parks, scientific and technological parks,
- ✓ Creation and specialization of regional business centres,
- ✓ Development and specialisation of business structures in the Western Region in terms of potential.

### **- Development of services for the entrepreneurial environment:**

- ✓ Expanding the range of consultancy services,
  - ✓ Development and implementation of a co-financing system from banks for projects financed out of EU funds,
  - ✓ Training and development of management skills for SMEs,
  - ✓ Support for innovation and access of SMEs to new technologies,
  - ✓ Supporting SMEs for introducing quality standards and quality management systems;
  - ✓ E-business promotion,
  - ✓ Facilitate access to available assets of state-owned companies and to public acquisitions,
  - ✓ Improving SMEs access to quality consulting services and information,
  - ✓ Support business incubators in production and services with high added value.
- Development of production activities, by providing support for the acquisition of equipment, tools, IT systems, modern technologies;

- Creation and development of innovation infrastructure, by developing poles of excellence to facilitate permanent and lasting relationships between universities, research and development institutes and high-tech SMEs.

## **Bibliography**

1. D. Marin, *Economia României. Întreprinderile Mici și Mijlocii*, Economica Printing House, 2002
2. \* \* \* – Statistical Yearbook of Romania, INS, Bucharest, Edition 2007
3. *Annual Report SME 2008*, Ministry for Small and Medium-Sized Enterprises, Commerce, Tourism and Liberal Professions
4. *White Paper of SME - 2006*, CNIPMMR, 2006
5. *White Paper of SME - 2007*, CNIPMMR, 2007
6. \* \* \* – Internal documents of Timis County Prefecture and County Council
7. Timis County Economic and Social Development Strategy – Socio-Economic Analysis – Timis County Council / ADETIM – Agency for Economic and Social Development Timiș
8. \* \* \* – Government strategy for supporting development of SMEs in the period 2004 – 2008, CNIPMMR document
9. \* \* \* – Timis Regional Statistics Authority
10. \* \* \* – <http://www.portalimm.ro>