

DEVELOPMENT PERSPECTIVES FOR THE SMES IN BIHOR COUNTY

Ban Olimpia

University of Oradea Faculty of Economics Universităţii 1-2, Oradea oban@uoradea.ro
0359422506

By its nature, the SMEs sector is flexible having a great capacity to adapt to the changes occurring on the market. Due to this reason, for most European countries, the SMEs sector has been and still is very carefully treated. The Structure of the SMEs in the Bihor county is similar to that at the national level, and also European, having a weight of the micro-enterprises of 88.7% of the total of SMEs. Bihor county has an important development potential on certain sectors and sub-sectors of the economy, such as: the agriculture, the manufacturing industry and the tourism.

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1. The evolution and structure of the SMEs in Bihor county

In Romania, there have been obvious efforts to stimulate this sector since the 90s. In 2004, the **Governmental SMEs Development Support Strategy, 2004-2008** was adopted. Through the partnership regarding the adhering to the European Union, the Romanian Government took the obligation to strengthen the efficiency of this sector, to encourage the establishment of new enterprises, to develop the entrepreneurial bases and to improve the business environment.

In 2007, the directions of the SMEs development at the national level were: the improvement of the technological and productive capacities, the increase of the quality of products and services, the facilitation of the access to funding and on the export markets, the development of the entrepreneurial culture and the increase of their managerial performances. The year of 2007 is the first year when the economy in Romania functioned as a member of the EU, a year with an economic growth of 6%.

At the end of 2007, at the level of the entire Romanian economy, the SMEs sector recorded, from a demographical point of view, growths both regarding the number of active SMEs as well as the structure on size categories on economic sectors. The SMEs' contribution to the support of the entrepreneurial spirit and to the development of the emerging private sector is a feature of the EU member states.

Table 1 The evolution of the number (absolute, relative, comparative) of active SMEs in Bihor on size classes

Year	Total	out of which: on size classes, according to the average number of employees					
		0 - 9		10 - 49		50 - 249	
2003	13033	11479	88.07%	1229	9.42%	325	2.5%
2004	14364	12742	88.7%	1258	8.7%	364	2.5%
2005	15417	13658	88.59%	1384	8.9%	375	2.4%
2006	16414	14532	88.53%	1527	9.3%	355	2.1%
2007	18010	15976	88.7%	1697	9.42%	337	1.87%

(Source: processing data according to the Bihor County Statistics Office)

The micro-enterprises of Bihor represented in 2007, 3.7% of the total of micro-enterprises at the national level. The small sized enterprises of Bihor had in 2007 a similar percentage of 3.6% and the middle sized enterprises represented 3.5% of the total of middle sized enterprises in Romania.

The classification on categories reflects a structure at the county level almost identical with the one existing at the national level. The overwhelming weight of the micro-enterprises is obvious both at the county level as well as at the national level, meaning over 88% of the total of SMEs. In 2007 the biggest number of active SMEs in Romania was recorded (until 2007), with 18.2% more than in 2000. During 2003-2007 no spectacular changes took place in the structure of Bihor county SMEs. We can notice a slight lowering of the weight in total of the middle sized enterprises in favour of the small sized enterprises.

The analysis of the structure of Bihor county SMEs at the level of 2007 shows the impressive weight of the micro-enterprises, that is 88.7% of the total of SMEs. On the second place, taking into consideration the weight, at a considerable distance, there are the small enterprises with 9.42% of the total, after which there are the middle sized enterprises with 1.87% of the total. At the national and EU level, too, the micro-enterprises are predominant¹⁵.

At the territorial level, the **SMEs density is measured by comparing their number to 1000 inhabitants**. In 2007, the situation at the national level was the following¹⁶:

- Bucharest-Ilfov with 49.9 SMEs at 1000 inhabitants;
- **North – West (Bihor, Satu-Mare, Maramureş, Bistriţa-Năsăud, Sălaj, Cluj-Napoca) with 25.3 SMEs to 1000 inhabitants;**
- The Western area with 24.3 SMEs to 1000 inhabitants;
- Centre with 24.2 SMEs to 1000 inhabitants;
- South – East with 20.4 SMEs to 1000 inhabitants;
- South of Muntenia with 15.8 SMEs to 1000 inhabitants;
- South – West with 15.5 SMEs to 1000 inhabitants;
- North – East with 14.5 SMEs to 1000 inhabitants.

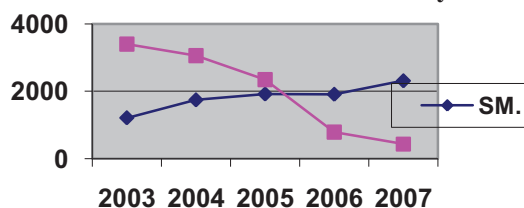
We can notice that the North-East region is on the second position after Bucharest Ilfov as density of the SMEs. **Bihor** county has even a higher **density of SMEs** than the region average, this being of **30.31** for 2007¹⁷. The European average is of 5 SMEs to 1000 inhabitants.

The situation reflects the lacks of balance between the development regions, obviously the highest lack of balance being between Bucharest-Ilfov and the rest of the regions. With 49.9 SMEs to 1000 inhabitants, Biharest—Ilfov is the only region aligning to the average density values recorded in the EU countries.

It is worth retaining that, in 2007, for the first time, the North-Western region was on the first position for the growing rhythm of the number of SMEs compared to 2000, the reference year, meaning 6.7%.

The dynamic of the SMEs in Bihor county is reflected by the ration between the number of newly registered SMEs in 2007 and the number of the SMEs which were not crossed off in 2007. A more useful analysis would be given by the comparison of the SMEs which in the interval between the registration and crossing off had activity, meaning the active SMEs.

Figure 1 The evolutional situation of the number of registered SMEs and the number of crossed off SMEs in Bihor county



(Source: processing data Bihor Commerce Registry Office)

15 Observatory European SME s Report no.7/2003, pp.77-78.

16 Idem, p.46.

17 data provided by the Bihor Statistics Office.

The situation of the SMEs' registrations and crossing offs in Bihor county during 2003-2007 shows the tendency towards the lowering of the number of the crossed off SMEs and the increase of the number of registered SMEs. In 2003, 2004 and 2005, the number of the crossed off SMEs was higher than the number of the registered SMEs (in 2003 for a registered SME, 3 crossed off SMEs are due). In 2006 and 2007 the number of crossing offs decreased and the number of registrations increased (in 2007 for a crossed off SME almost 5 registered are due).

At the country level, in 2007, the average number of SMEs employees was of 2764768¹⁸, with a relatively balanced repartition on micro, small and middle sized enterprises (32.5%; 33.5%; 34%). The average number of employees for an enterprise considering the size category for 2007 is the following: 2.1 for micro enterprises, 19.7 for small enterprises and 98 for middle sized enterprises.

The service SMEs provide more than half of the number of jobs occupied by paid employees (53.9%), followed by the industry SMEs (30%), construction SMEs (14%) and so on.

The weight of those working in services is negatively correlated with the size class, it increases as the enterprises are smaller, reaching 73.9% in the case of the micro-enterprises. In Bihor county, in 2007, approximately 96268 people were employed at the SMEs. The highest weight of the workers was in the manufacturing industry, of 35.25%.

The country average is of 12.8%. The North-Western region is higher than the country average, having 16% of the total per country.

There is a correlation between the territorial distribution of the SMEs and that of the SMEs employees on the development regions. The evaluation index used is the average number of employees in the SMEs sector which is due to 100 inhabitants.

Table 2 The average life span of Bihor county SMEs

Year	The average life span of the SMEs (in months)
2003	66.92
2004	55.17
2005	43.85
2006	31.69
2007	20.04

(Source: Bihor Commerce Registry Office)

The data show a decrease of the average life span of Bihor county SMEs during 2003-2007, from 66.92 months to 20.04 months. This index was computed only for the firms which completed their life span in the interval 2003-2007.

2. Activity sectors and sub-sectors of the national economy with development potential in Bihor

Analysing the presence of a connection between the degree of regional specialisation in different fields of activity and the evolution of the number of SMEs at the region level, we can notice¹⁹:

- In the North-Western region, the SMEs in the **service sector** have the highest weight in total the SMEs of over 60%, followed by the SMEs in the industrial sector with 13.8%, the SMEs in constructions with more than 10% and the SMEs in agriculture with a weight under 5%. At the country level, the North-Western region is predominant together with the Bucharest-Ilfov region for the category of SMEs of **other** services. By *other services*, we understand: financial services, insurance services, foreign trade negotiations, real estate services and other services with high

¹⁸ ANIMMC, The Annual SME 2008, p.52, http://www.animmc.ro/files/Raport_Anual_IMM_2008.pdf.

¹⁹ ANIMMC, op.cit., http://www.animmc.ro/files/Raport_Anual_IMM_2008.pdf.

added value. The North-Western region is on the first position for the transport services, with 13%, followed by the South-Eastern region with 10.6% and the Centre with 10.4%;

- Among the SMEs in the industry in the North-West, the SMEs in the **textile industry** are predominant (with 18.8%), which situates this region on the second position in Romania after the North-Western region which has a weight of 20.9%;

- For the category of active SMEs in **other industries**, the North-Western region is situated on the second position with 21.4% after Bucharest-Ilfov with 32.9%, which demonstrates an industrial system more dispersed on other industrial sub-branches.

We can notice that for the North-Western region there is a relatively small weight, compared to other regions, of the active SMEs in commerce. The preponderance of the commerce sector indicates a high number of small family businesses and a lower degree of concentration of the distribution activities. The tendency at the national level is that of lowering the number of the SMEs in commerce.

On the total of the Romanian economy, there is the tendency of lowering the number of SMEs in commerce, though the highest turnover is obtained from these.

The very small weight of the turnover coming from the SMEs in tourism reflects a potential which has not been fully capitalised, taking into consideration the ration resources/the use of resources.

For the category of *other services*, where the North-Western region is on top, the contribution to the turnover on types of activities is the following:

I Activities of juridical consultancy, accounting, accounting revision, market research – the average of the SMEs is of 28.5% (out of which the micro-enterprises have the highest weight of 34.1%);

II The architecture, engineering and technical consultancy services – the average of the SMEs is of 26.6% (out of which the middle sized enterprises have the highest weight of 30%);

III Advertising – the average of the SMEs is of 23.3% (out of which the small enterprises have the highest weight of 34.1%);

We have performed an analysis of all the economic entities in Bihor county because the big enterprises have a weight of only 0.35% of the total. We can notice that on the first position, as number, are the commerce entities, followed by the real estate entities and those of the manufacturing industry (in accordance to the performances of the North-Western region). In the service sector, the tourism entities have an insignificant weight, being grouped to *other activities of the national economy*.

The distribution of the turnover of Bihor county SMEs on economic sectors in 2007 was: commerce 51.27%, manufacturing industry 18.97%, constructions 9.8%, and the rest with lower values²⁰. The sector of *hotels and restaurants* represents only 1.28%.

Due to the resources it has, Bihor county favours the development of some industrial sectors, especially those of the manufacturing industry. In 2007, the biggest investments at the level of Bihor county SMEs were made in industry (27.48% of the total). The county's fields of excellency, which distinguish themselves through their innovative potential, the capacity to export and the positioning on the European markets of the local products are: the light industry (especially, the alimentary industry, the leather and shoe making industry and that of clothing industry) and the wood industry. At the end on 2008, at the European level, there were significant changes on sectors and sub-sectors of the economy²¹. Most of the European countries recorded decreases in the fields like: industry (the extractive industry, textile, leather, tobacco), constructions and commerce. The increases

20 Bihor Statistics Office.

21 Isabelle Remond-Tiedrez, Recession in the EU-27: output measures, Eurostat, 17/2009, http://ec.europa.eu/enterprise/newsroom/cf/document.cfm?action=display&doc_id=2325&userservice_id=1.

continued only in the fields of biotics equipment, radio, television, chemical products and others to smaller extent. Yet, in Romania, although the industrial production lowered, the constructions and the commerce recorded increases in 2008.

The agriculture made in Bihor county has a low weight in the turnover and the investments made by the SMEs, although it has a high potential in the development of the ecological cultures (corn, potatoes, sunflower, technical plants, fruit, vegetables) and their weight within the county agricultural production should increase.

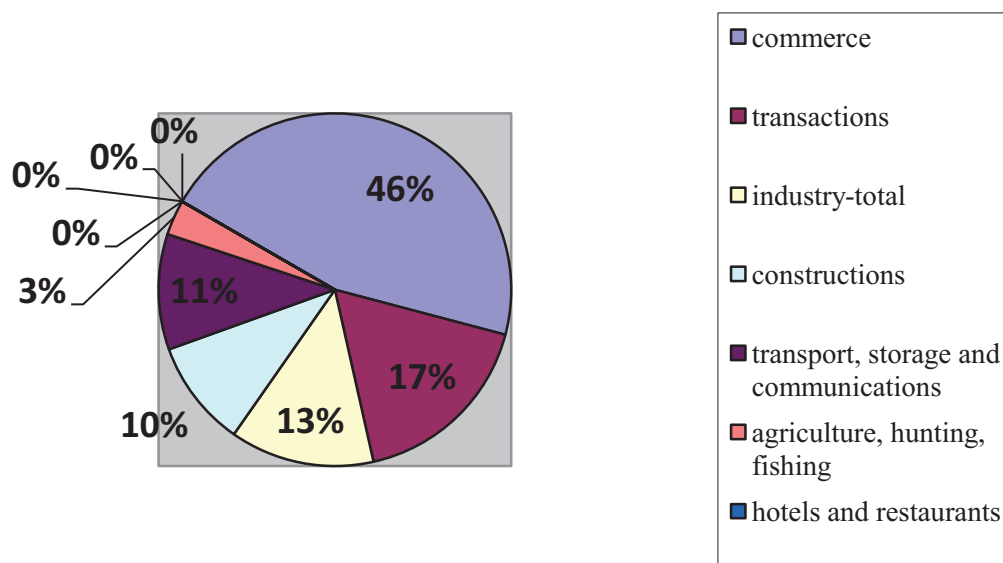


Figure 2 Repartition of Bihor SMEs on sub-branches of the economy for 2007
(Source: processing data provided by Bihor Statistics Office)

A sector with development potential is the zoo-cultural sector, with the derived products (meat, milk). In 2008, at the European level the revenues from agriculture recorded an increasing tendency, Romania being on the second position of the eight states which recorded increases, with an increase of 28.4%.²²

The revenues increased especially from: the production of oil seeds, cereals, wine and olive oil, the pork farming, the production of eggs, milk and derived activities.

Correlating the resources of the county with tendencies on the world tourist market (the return to nature, to the less modified environment, the recapitalisation of the balneary-climactic resources, the search for the unusual, original and origin) it is required the stimulation of the balneary-climactic tourism, of the mountain, adventure tourism, of the speleological tourism, and of the sportive tourism.

²² Eurostat newsrelease, 46/2009, 2 April 2009, Second estimates for 2008 EU 27 real agricultural income per worker down by 3,5%, http://epp.eurostat.ec.europa.eu/pls/portal/docs/page/pgp_prd_cat_prerel/pge_cat_prerel_year_2009/pge_cat_prerel_year_2009_month_04/5-02042009-en-ap.pdf.

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