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# National Report on SMEs in Romania

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## AdapTYKES project WP3

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## I. Introduction

The aim of this report is to show some basic characteristics of the Romanian economy, with special regard to the small and medium sized enterprises, their weight in the national economy and practice in innovation, with special regard to organizational innovations, in order to become a basis of a comparative study among Hungary, Romania and Finland for AdapTykes project.

This report consists of three main parts: a brief overview of the Romanian economy, the presentation of some main characteristics of the SME sector, and the knowledge use and innovation of SMEs from Romania.

The report presents the macro-economic environment of Romania with special regards of the characteristics of the SME sector, their competitiveness, human resources and trainings, such as their access to finance, access to international market. Knowledge use and innovation of the SME sector is also shown in the study, with special regards on non-technological innovations.

In the early 1990s, the Romanian market changed to an economic market. The results can be defined as a complex change of economic structure that is characterised by an increased importance of the service sector in employment and value added.

Privatisation and land restitution lead to important changes in enterprise ownership. In 1989 an overwhelming majority (73.6%) of the civil employment worked in state-owned companies, 20.7% worked in cooperatives and only 5.6% in the private sector. By the end of 1991 the share of employment in state-owned companies decreased to 65.9% and in cooperatives to 0.5%, while the share of those employed in private companies increased to 33.6%. (Earle and Oprescu, 1995)

Changes occurred first in agriculture. The share of private sector employment in agriculture increased from 15.2% in 1989 to 83.5% in 1991, while employment in cooperatives in the same period dropped from 67.6% to 1.4%. (Earle and Oprescu, 1995) Privatisation of industry took place gradually, gaining momentum especially after 1997 (World Bank, 2008); thus changes in industry at the beginning of the transition period were not as radical as in agriculture.

The reform process in Romania has been relatively slow for several reasons: 1. the decline in economic output across the CEE region because of the disruption of established trade and supply chains, intense international competition and structural changes in the economy; 2. Romanian economy was much centralized before 1989, which made the reform process more difficult; 3. Both the reformed communists and the centre-right government coalitions have implemented inconsistent economic policies. (Trif, 2008)

Dăianu (2004) identified different periods in the macroeconomic evolution of Romania in the first decade after the collapse of communism: 1990-1992 and 1997-1999 were periods of recession, while 1993-1996 was a period of recovery.

The periods of economic recessions and recovery in 1990-2000, followed by growth in 2000-2008 and the global economic crisis (from 2009 onwards) had greatly influenced the evolution of the Romanian SME sector.

The number of SMEs increased in the period 2000-2008. According to the Global Entrepreneurship Monitor survey, in 2007 in Romania 6.5% of the population was in „different stages of engagement in owner-managed businesses”. The highest rate of entrepreneurs live in urban area (81.9% of the owners of established businesses and 77.2% of those involved in early stage entrepreneurial activity). (Nagy et al., 2008)

The number of registered SMEs peaked by the end of 2008 with a value of 662,024, but these were not all active companies. (FPP, 2011)

In 2009 the dynamics of new SME establishment slowed down and the number of SMEs leaving the market greatly increased. Over 133 thousand Romanian SMEs suspended their activity (11 times more than in 2007 and 2008) and over 43 thousand were closed down (radiated from the Company Registry). Most companies had chosed suspension instead of closure, because the former is a more simple procedure and it takes less time. Entrepreneurs needed to react quickly to the crisis, but also to the new fiscal policy of the government, which introduced a minimum quota of profit tax, and new depreciation and VAT rules. In 2010 over 170 thousand of companies closed down. The most impressive decrease of SMEs could be observed in the real estate brokerage (60%) and construction (40%) sectors. (FPP, 2011)

As positive developments in the last two decades we can mention the increase of the share of women entrepreneurs, as well as the educational level and qualification of the entrepreneurs 53.9% have graduated tertiary education. (FPP, 2011)

## II. A brief overview of the national economy of Romania

### A. Brief presentation of the national economy

Romania is one of the largest countries of Central and Eastern Europe, with a territory of 238,391 km<sup>2</sup> and a population of 20,121,641 (according to final results of the 2011 Population Census).

After 2000 an impressive economic growth had emerged in Romania. In the period 2000-2007 GDP has increased with an annual average of 5.6% and the GDP per capita doubled. Still, by the end of 2007, the GDP/capita in PPS in Romania was only 40.3% of the EU27 average. (NBR, 2008)

Romania had been severely hit by the global economic and financial crisis emerging in 2008, because its pre-crisis economic growth was based on foreign direct investments. GDP contracted with -6.6% in 2009 și and -1.1% in 2010. (Eurostat)

Unemployment rate grew from 5.8% in 2008 to 7.4% in 2011 (Table 1).

*Table 1: Some main features of the national economy*

Variable	2007	2008	2009	2010	2011	Change (%) 2011/07
GDP <sup>1</sup>	124728.5	139765.4	118196.0	124327.7	131327.0	5.29%
GDP/inhabitant <sup>2</sup>	5.8	6.5	5.5	5.8	6.1	5.17%
Employment rate <sup>3</sup>	58.8	59.0	58.6	58.8	58.5	-0.51%
Unemployment rate <sup>4</sup>	6.4	5.8	6.9	7.3	7.4	15.63%
R&D expenditure <sup>5</sup>	30.3	37.6	25.9	26.7	30.7	1.32%

Source: EUROSTAT

<sup>1</sup>: Millions of euro at market price

<sup>2</sup>: Thousands of euro per inhabitant

<sup>3</sup>: Annual average % among 15 to 64 years

<sup>4</sup>: Total, %

<sup>5</sup>: Total intramural R&D expenditure, Euro per inhabitant

After two years of decline, the GDP growth turned on a positive trend (2.2% in 2011 and 0.7% in 2012, Eurostat data), but Romania is still one of the poorest countries of the EU with its per capita GDP less than half of the EU27 average.

The pattern of economic increase characteristic for the period 2000-2008 (increase of internal consumption based on massive capital inflow and debts) does not represent a viable solution in the current economic context. (FPP, 2013)

GDP recovery from 2011 was upheld primarily by the industrial sector, where gross value added rose by 5%, against the background of larger domestic supply (chiefly capital goods and intermediary goods) and the further increase in the supply for exports, albeit at a slower pace than a year earlier. Agriculture and construction also recorded favourable, yet smaller, contributions to GDP growth, the trend in gross value

added dynamics reversing in both cases (11.2%, mainly as a result of the bountiful harvest, and 2.7%, on the back of non-residential and infrastructure works, respectively). The services sector reported a neutral contribution to growth during the period under review. (NBR, 2012)

#### i. Share of Sectors

The highest share of the companies are active in the Service and commerce sector (76-77%) and the smallest share is in agriculture (2-3%). There have been little change in this respect in the period 2006-2011 (Table 2). The share of employees is also the highest in the services sector, but the values are lower (47-52%), but increasing.

Table 2: Share of sectors in economy

Sector	Number of companies		Ratio of companies		Number of employees		Ratio of employees		Ratio of GVA		GVA/employee (thou RON)	
	2006	2011	2006	2011	2006	2011	2006	2011	2006	2011	2006	2011
Agriculture	13347	15152	2,78	3,35	129972	128814	2,97	3,16	8,83	6,41	206,7	231,9
Industry	96234	93218	20,04	20,62	2198455	1810923	50,21	44,41	36,19	42,09	50,1	108,4
Service and commerce	370742	343640	77,19	76,02	2049935	2137575	46,82	52,43	54,99	51,50	81,6	112,4
<b>Total</b>	<b>480323</b>	<b>452010</b>	<b>100</b>	<b>100</b>	<b>4378362</b>	<b>4077312</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>69,49</b>	<b>114,4</b>

Source: National Institute of Statistics Romania

The high values of GVA/employee in the Agriculture sector does not reflect the high labour productivity in Agriculture, but is due to the fact that most people working in this sector are not registered employees, but self-employed or family helpers, so for this sector the total number of persons employed should be taken into account rather than only employees.

#### ii. Size distribution of the whole economy

The Romanian economy has a dual structure: a large number of small enterprises employ less people and accounts for half of the sales revenue as a very small number of large enterprises.

The structure of the Romanian SME sector in the last years has been similar to the EU-27. Altogether 99.7% of the companies are SMEs, but the share of micro-enterprises is a bit lower in Romania (88%) than the European average of 92.2% and the share of small enterprises is higher in Romania (10%), than the average of 6.5%. Middle enterprises (50-249) have a share of 2% within SMEs, this is also higher than the EU average (1.3%).(FPP, 2013)

Small enterprises (10-49 employees) represent 81.4% of total enterprises over 10 employees and 84% of SMEs , but only employ 27.9 of total and 50.4% of SMES and produce 23.5% (respectively 46.8%) of the sales revenues (Table 3).

*Table 3: Size distribution of enterprises (2010)*

Indicator	Small 10-49	Medium 50-249	SME together	Large 250+	Total
No. of enterprises	40058	7635	47693	1497	49190
No. of employees	789905	777551	1567456	1260056	2827512
Turnover or gross premiums written (million €)	40594,90	46211,40	86806,30	86285,20	173091,50
Value added (€)	n.a.	n.a.	n.a.	n.a.	n.a.
R&D expenditures (€)	n.a.	n.a.	n.a.	n.a.	n.a.

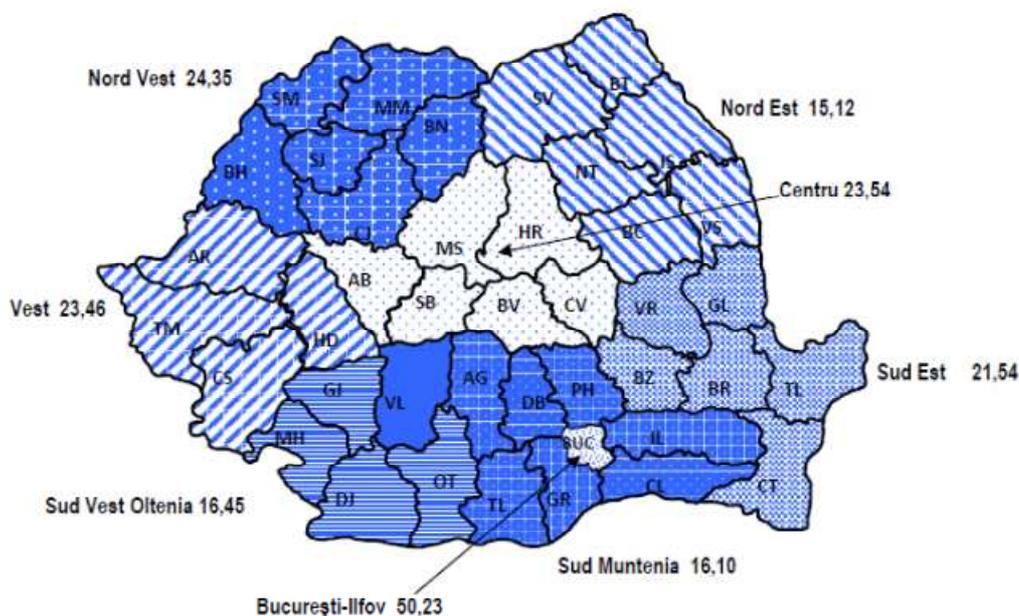
Source: EUROSTAT /National Statistical Office, 2010

This shows that small enterprises (10-49 employees) have a very important social role, but individually they have a low economic power and they are much less productive than large enterprises (sales revenues per employee in small enterprises reaches only up to 75% of the value calculated for large enterprises).

## Overview of the national SME sector

Romanian SME has an important contribution to employment (66% of the jobs) and 58% of turnover from the non-financial economic sector (in 2011). Even though it has SME density has increased since 2003 from 17 SME/1000 inhabitants to 23 SME/1000 inhabitants in 2011, its value is still only 56% of the EU average (41 SME/1000 inhabitants). (FPP, 2013)

The territorial distribution of SMEs is uneven (Figure 1), most of them are in Bucharest-Ilfov region, with an SME density above the EU27 average.



Source: FPP, 2013

*Figure 1. Regional distribution of SME density in Romania in 2011*

In 2011 SMEs density was 50.23 SME/1000 inhabitants in Bucharest-Ilfov Region, while the national average was 22.69 SME/1000 inhabitants and in the least developed North-West Region it was 15.12 SME/1000 inhabitants. The most spectacular positive evolutions regarding entrepreneurial development have characterized the West, North-West and Center Regions, while the situation of South-West, South and South-East Regions presents a slight recovery. In North-East, South-East, South and South-West Regions the weak entrepreneurial development is correlated with a low level of occupied educated population and low level of urbanization, which makes these regions less attractive for investors. SME structure by size (micro-enterprises, small and medium enterprises) remains relatively unchanged in all the regions, the micro-enterprises having the main share.

Romania is lagging behind other EU countries both in terms of overall percentage of employees in SMEs and of average number of people employed by SMEs. The fields of activity of Romanian SMEs and those of other European countries reveals a much higher share of Romanian SMEs are active in trade activities and a lower share in tourism, transportation and other services compared to other European countries. This imbalance can be explained by the priority put by a poor society on basic needs, but also by the fact that, since the total number of SMEs in Romania is proportionally three times smaller than in Europe, the overdevelopment of the trade sector of SMEs is purely statistical (Dumitru, 2004).

The Romanian Regional Operational Programme 2007-2013 stated that at regional level the structures for business support (industrial, scientific, technological, logistic and business parks) sustain only in a limited manner the SMEs development, because the SMEs number is insufficient and a large part of them are not functional. Business incubators are also weakly represented, especially in some of the regions (in West and North-West Regions have only one business incubator). Most business support structures are confronted with difficult access to financing and weak infrastructure endowment. (Government of Romania, 2006)

#### A. Size distribution of registered SMEs

The size distribution of SMEs varies across different sectors of the economy (Table 4). The largest share of employees (15.5%) work in SMEs from the “Wholesale and retail trade; repair of motor vehicles and motorcycles” sector, followed by SMEs (14.13%) and large enterprises (11.66%) in the “Manufacturing” sector.

*Table 4: Distribution of SMEs by sector of industry (as % share of total employment except microenterprises, 2011)*

Sectors	Small 10-49	Medium 50-249	SME together	Large 250+	Total
Mining and quarrying	0.17	0.25	0.74	2.30	2.72
Manufacturing	0.89	13.24	14.13	11.66	25.79
Electricity, gas, steam and air conditioning supply	0.08	0.26	0.34	2.97	3.30
Water supply; sewerage, waste management and remediation activities	0.39	0.72	1.11	2.00	3.11
Construction	4.81	4.11	8.92	3.57	12.49
Wholesale and retail trade; repair of motor vehicles and motorcycles	9.76	5.74	15.50	5.81	21.30
Transportation and storage	1.97	1.70	3.67	6.74	10.41
Accommodation and food service activities	2.03	0.92	2.95	0.62	3.57
Information and	1.04	1.05	2.09	2.20	4.29

communication					
Real estate activities	0.46	0.23	0.70	0.20	0.89
Professional, scientific and technical activities	1.53	1.34	2.87	1.00	3.87
Administrative and support service activities	1.49	2.59	4.08	4.17	8.25
<b>Total</b>	<b>24.63</b>	<b>32.14</b>	<b>56.77</b>	<b>43.23</b>	<b>100.00</b>

Source: EUROSTAT, 2011

The share of employment from SMEs is higher than that of large enterprises in several other sectors of the economy (“Construction”, “Accommodation and food service activities”, “Real estate activities” and “Professional, scientific and technical activities”).

Agriculture is becoming an increasingly important sector for SMEs, the number of registered companies is growing due to the conditions imposed by the European Agricultural and Rural Development Funds support measures.

## B. Environment of the SME sector

### i. General overview of the legal environment of SMEs

SMEs are enterprises with the annual turnover till 50 million euro and with less than 250 employees. According to Law no. 346/2004, SMEs can be classified in the following categories:

- a) micro enterprises: up to 9 employees and an annual turnover/total assets less than 2 million euro;
- b) small enterprises: 10-49 employees and an annual turnover/total assets less than 10 million euro;
- c) medium enterprises: 50-249 employees and an annual turnover less than 50 million Euro (or total assets less than 43 million euro).

Enterprises can be defined as any entity engaged in an economic activity, regardless of its legal type. In Romania there are 5 legal types of companies, such as: limited liability company (SRL), joint-stock company (SA), general partnership (SNC), limited partnership (SCS), companies limited by shares (SCA).

Before starting to work, companies are obliged to seek registration in the trade register. The registration of companies, they are issued a certificate of registration containing the serial number of the Commercial Register and the unique registration code which is the document that certifies that the legal person has been taken into the Trade Registry records of the tribunal and the tax authority records. Tax registration request is made by filing the application with the unique office of the Commercial Registry Office of the court of law, and assigning unique registration code by Finance Ministry's conditional grant of registration in the Commercial Register of the delegated judge. Based on the data presented, the Finance Ministry allocated, no later than 8 hours, the unique registration code.

Klapper et al. (2004) found that the number of market entry procedures in Romania is the highest from the EU. They identified 16 procedures that have to be done before starting a business and calculated the cost of the new entities to be 15.31% per capita of GNP (the average in the Western Union being 11.92%).

Since 2004 the situation has slightly improved, the number of procedures to start up a business decreased to only 6 and the average duration 10 days by 2012. Start-up costs are 2.8% of the income per capita and the minimum capital 0.8% of income per capita, according to the *Doing Business 2013* report of the World Bank (2013).

Nowadays, the cost of registering a new company in Romania is around 250 euro.

### C. Competitiveness of the SME sector

According the Global Competitiveness Report, the rank of Romania has worsened from 2006 to 2012 for all of the following factors: Overall index, Basic requirements, Efficiency enhancers, Innovation and sophistication factors, Higher education and training, Labour market efficiency and Innovation.

Table 5: *Competitiveness factors of the Romanian SMS sector*

Variable		2006	2012	Change +/-
Overall index	Rank	68	78	-10
	Score	4,02	4,07	-0,05
Basic requirements	Rank	83	90	-7
	Score	4,19	4,22	-0,03
Efficiency enhancers	Rank	55	64	-9
	Score	3,99	4,12	-0,13
Innovation and sophistication factors	Rank	73	106	-33
	Score	3,70	3,20	0,5
Higher education and training	Rank	50	59	-9
	Score	4,34	4,36	-0,02
Labour market efficiency	Rank	76	104	-28
	Score	4,03	4,01	0,02
Innovation	Rank	68	102	-34
	score	3,14	2,92	0,22

Source: [http://www3.weforum.org/docs/WEF\\_GlobalCompetitivenessReport\\_2012-13.pdf](http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2012-13.pdf)

Table 5 above illustrates the unfavourable evolution of the SMEs environment.

#### i. Characteristics of the business environment of SME sector

Romania's Ease of Doing Business rank in 2012 is 72 from 185 economies and since 2008 has recorded an increase of 13 points on the World Bank's Ease of Doing Business ranking. This result is reflected on four improved indicators: ease of starting a business

recorded an increase of 13 places, the ease of registering property gained 51 places, the ease of getting credit forwarded only one place and the ease of paying taxes improved with 2 places since 2008.

*Table 6: Ease of doing some particular issues regarding to business life*

Ease of ...	Total Rank		
	2008	2012	Change (+/-)
Doing Business	108	72	↑ 36
Starting a business	26	68	↓ -42
Dealing with Construction Permits	90	129	↓ -39
Employing Workers	145	168	↓ -23
Registering Property	123	72	↑ 51
Getting Credit	13	12	↑ 1
Protecting Investors	33	49	↓ -16
Paying Taxes	134	136	↑ 2
Trading Across Borders	38	72	↓ -34
Enforcing Contracts	37	60	↓ -23
Closing a Business	81	102	↓ -21

Source: World Bank (2008, 2012)

On the other hand, some factors had deteriorated, such as the ease of starting a business, where Romania has dropped 42 places on the World Bank's Ease of Starting a Business ranking from place 26 in 2008 to place 68 in 2012. Another decrease is recorded by the ease of dealing with construction permits, losing 39 places, the ease of employing workers fell 23 places, protecting investors fell 16 positions, ease of trading across borders dropped 34 places, enforcing contracts fell 23 places and finally, the last characteristic, closing a business dropped 21 places.

## ii. Human resources

### a) Education and training

Human resources are important assets of each organisation. If the necessary conditions are created it can grow and can develop as employees.

The level of participation in lifelong learning and education from Romania is very low, but shows an increase from 1.1 % in 2006 to 1.4% in 2011, with 0.3 percentage points (Table 7). The major change was recorded at the level of adult participation in education and training, which doubled in 2011 compared to the values recorded in 2006. The distribution of job-formal education and training records an increase, but we could find data only in 2007 and 2011, in this period recorded an increase of 4.3 pp was recorded.

**Table 7: Education statistics**

Variable	2006	2007	2008	2009	2010	2011	Change (pp) 2011/06
Participation in lifelong learning by age and education	1.1%	1.1	1.3	1.3	1.1	1.4	0.3pp
Adult participation in education and training	1.3%	1.3	1.5	1.5	2.8	2.7	1.4pp
Distribution of job-formal education and training	n.a.	31.2	n.a.	n.a.	n.a.	35.4	4.2pp
Distribution of non-related education and training	n.a.	19.3	n.a.	n.a.	n.a.	13.6	-5.7pp

Source: EUROSTAT (2006-2011)

The only indicator registering a decrease was the distribution of non-related education and training.

### iii. Access to finance

The financial crisis has created a difficult environment for Romanian companies. However, the conditions for the access to various accesses to finance for SMEs are quite reasonable. The proportion of rejected loans recorded a decrease from 48% in 2009 to 18% in 2011. The share of Romanian business owners who report that they have noticed deterioration in the willingness of the banks to provide loans has remained stable of 41%, which is a high level and well above the EU-average of 30%. (EC , 2012)

The conditions for accesses to public financial support have become more restrictive. Many businessmen are discouraging for applying for a loan due to the continuing tightening of the standards applied to borrowers.

The cost of credit for small businesses (for loans under € 1 million) is only about 17% higher than for larger enterprises (which generally require loans of over € 1 million), and this gap has narrowed slightly since 2010. (EC, 2012)

Recently, have been taken a number of policy measures to improve the situation in this policy area in Romania. In 2011, the Government adopted Order no 9/2010 concerning the issuing of guarantees by the National Guarantee Fund for SMEs to the beneficiaries of structural funds, based on the contracts signed with the Management Authorities or Implementing Bodies. (EC, 2012)

In 2011, the program for financing SMEs in the crafts industry was implemented. This program has disbursed grants for the development and promotion of the SMEs in the crafts industry. The Program Mihail Kogalniceanu took steps to improve the cash flow and profitability of the SME sector by subsidizing interest on loans or offering loan guarantees through the National Guarantee Fund for SMEs. (EC, 2012)

Foreign direct investment has decreases to a yearly maximum of 2 billion Euro and Romania has to find other funding sources for economic growth. As 80% of the bank capital is foreign capital, this sector can't provide the necessary funding. European Structural and Cohesion Funds could not compensate these difficulties, as until 31.03.2013 Romania was able to effectively use only 7.3 bilion euro from the 30 billion euros allocated for the period 2007-2013 and an important share of these funded projects with low added value. (FPP, 2013)

In 2012 a total number of 41 credit institutions were active in Romania, the most representative are the following: BCR Erste, BRD Soci t  G n ral, Banca Transilvania, Raiffeisen Bank, CEC Bank, VolksBank, Bancpost, ING Bank, Alpha Bank, UniCredit  riac. Conditions for obtaining bank loans become more severe after the global economic crisis and crediting SMEs (especially microentreprises) is considered risky by the bank. In average 23% of the loans to SMEs are nonperforming. In the case of medium entreprises the situation is much better, the share of nonperforming loans is under 5%. (FPP, 2013)

Another source of income for SMEs are microfinancing institutions, which also offer business consultancy. The number of beneficiaries of such microcredits (loans of smaller values, under 25,000 euro) is rather high, Romania occupying the 5<sup>th</sup> place in 2011 among European countries. (FPP, 2013)

According to the report of the Post-Privatization Foundation (FPP, 2013), it would be necessary to develop in Romania inovative financial instruments for financing start-ups and spin-offs (such as „seed capital” and „venture capital”), as well as high risk projects (like „business angels”).

*Table 8: Tax rates*

Tax type	2008 nominal tax rate	2012 nominal tax rate	Change (%) 2012/08
Tax on labour	16%	16%	-
Indirect taxes (VAT)	19%	5%, 9%, 24%	+5%
Corporate income tax	16%	16%	-
Microenterprise tax*	3%	3%	-
For buildings	0,25%-1,50%	0,25%-1,50%	-

Source: Local Tax Office (Please specify)

\* calculated by applying 3% to the annual turnover

In Romania, every income is taxed with 16% to the income after we decrease the expenses. As an employee the salary is taxed with 16%. Also, if an entity has a turnover equal with 65,000 euro, the profit is taxed with 16%, but those who have the turnover under 65,000 euro the taxation are different, in their case the tax fee is 3% from the turnover (this change was introduces in the beginning of 2013).

Indirect taxes (Valuea Added Tax - VAT) in 2008 were 19%, but given to the financial crisis, in July 2010 the Government decided to raise VAT at 24%. VAT is an indirect tax

owed to the state and which is collected under his title. A discount rate of 9% is applied to books, pills, orthopedic products and VAT of 5% applies to retirement homes and buildings that are bought by unmarried people or a family.

#### **iv. Access to international markets**

Romanian SMEs face difficulties in getting to international markets from local markets, The level of internationalisation of Romanian companies is closely related to their size. Even though trade beyond EU has gained weight in the last 10 years as a percentage of both imports and exports, for the average European SMEs Europe remains the main and key trade partner across all sectors and company sizes and even more so in the case of services. SMEs themselves are showing that internationalisation is growing well beyond just exports and moving into more developed levels of cooperation.

In 2009 in Romania 35.4% of the total volume of exports and 50% of the imported volume were carried out by SMEs. The number of SMEs involved in interntaional transactions (export or import) has greatly decreased after 2008.

### III. Knowledge use and innovation in the SME sector

#### A. Training and knowledge use practices

Education and training – as a function of HR management – have a key role in the realization of knowledge-based strategies.

*Table 9: Trainings of enterprises (2010)*

	Small 10-49	Medium 50-249	SME together	Large 250+	Total
Percentage of enterprises which have continuing vocational training courses	12	28	14,56	92	16,92
Percentage of enterprises which have any type of vocational training	12	36	15,84	95	18,25
Percentage of enterprises which have any type of other forms of continuing vocational training	31	29	30,68	84	32,30
Percentage of enterprises having a training planning and/or budget	6	20	8,24	52	9,57
Distribution of forms of trainings	51	62	52,76	77	53,50
Percentage of employees (only enterprises with CVT courses) participating in CVT courses	46	37	41,50	42	27,00

Source: EUROSTAT (2010)

Training activities of the enterprises very much depend on size. As it can be seen in table 9, large firms provide more vocational training courses to their employees than smaller ones.

#### B. Innovation activities, product and process innovation of SMEs

Romanian economy lags behind European countries in terms of innovation, research and development activities. According to the results of the Community Innovation Survey - CIS2008, 33.3% of the Romanian companies can be considered innovative (much below the European average of 51.6%) and the share of those companies who developed innovative activities in partnership with other institutions is only 13.8% (compared to the European average of 34.2%). Technological innovation (improved products and processes) was introduced by 19.7% of the enterprises and 13.6% were non-technologic innovators, improving new methods of business practices, workplace organization, external relations of marketing. As regards the SME sector, the CIS2008 survey found that in Romania 29.8% of small enterprises, 40.8% of the medium enterprises and 50% of the large enterprises are innovative.

An internationally well-known pattern has been proven in Romania also by recent statistical data: organizational changes and innovation are varying substantially by size-category of the firms (Table 10).

*Table 10: Innovative activities of enterprises in % of all enterprises in 2010*

	Small 10-49	Medium 50-249	SME together	Large 250+	Total
Share of enterprises that introduced product innovation (%)	0,0193	0,0352	0,022	0,0637	0,023
Share of enterprises that introduced process innovation (%)	0,0313	0,0447	0,033	0,0906	0,035
Share of enterprises that introduced marketing innovation (%)	0,1767	0,2264	0,185	0,3148	0,189
Share of enterprises that introduced organisational innovation (%)	0,1511	0,267	0,170	0,4206	0,177
Enterprises that introduced new business practices for organising procedures (%)	0,4308	0,5515	0,450	0,7143	0,458
Enterprises that introduced new methods of organising work responsibilities and decision making (%)	0,9172	0,8838	0,912	0,8977	0,911
Enterprises that introduced new methods of organising external relations (%)	0,4513	0,5492	0,467	0,565	0,470

Source: EUROSTAT (2010)

The main disadvantage is that the Romanian SME sector lacks innovative thinking. Romanian SMEs still do not see the main idea of the innovation. However, organizational innovations are much more often introduced than product innovation due to the lack of financial sources.

## IV. Conclusions

Five years after EU accession and under the impact of the economic crisis, we can state that the Romanian SME sector is slowly recovering, but still not reached pre-crisis levels.

Even though it has an important contribution to employment and total turnover, the Romanian SME sector is vulnerable. In 2010/2011 Romania addressed policy measures targeted to SMEs, the main focus being entrepreneurship and access to finance. Still, entrepreneurs face important barriers when starting up business activities.

SME density is low, only half of the EU average. There are great regional differences respective the number of SMEs, the number of SMEs from Bucharest-Ilfov region significantly exceeds the average.

Most SMEs are active in the Service sector, especially in retail. The food industry is the main industrial branch for SMEs, its competitiveness being based on local agricultural potential and the new technologies acquired, as these were imposed by EU norms and also financed from EU funding.

Technical capacities, productivity and profitability of the SMEs is low and the situation will not improve on the short run as Romanian SMEs lack innovative thinking, they still do not see the main idea of the innovation. Organizational innovations are much more often introduced than product innovation, due to the lack of financial sources.

The main risks for the Romanian economy are linked to financial stability, withdrawing external funding and economic decrease in the countries which are the main commercial partners, with a direct impact on the business sector.

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