SOME LOCAL OPINIONS AND BUSINESS PHILOSOPHY OF SMES

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The economical concept of SMEs represents the axis of functional market economies. The problem of their delimitation within the European area is being solved unitarily and transparently today. Besides the communitarian and national significance of SMEs, the investigation of their employees' opinions by a survey directed on rates, lacked obviously of claims of representativeness, which is statistically determined, offers interesting conclusions, that identify a specific behaviour of SMEs in Pitesti area. Thus, the variation of the opinions becomes the real expression of administrative and legislative, territorial and national conditions of the Romanian SMEs, and also of the alternative and strongly locally differentiated mentalities.

Key words: SMEs, quota sample, statistical survey, inquiry

1. Introduction

Enterprise is the most important component of the economy and overall society, representing an organization, which consists of one or more persons, and which, by economical means, perform activities whose goal is to make profit. The importance of SMEs comes from the impact of their actions upon the most important aspects of life of the human beings on a given territory and upon the level of economic, social, cultural etc development. So, the importance is given by the following realities, defined by their quality of: 1) real expression of the offer for the most part of the products and services necessary to the population of a country in the modern period; 2) generators of added value in any country with a market economy, no matters if it is an incipient one; 3) expression of the offer of the work places for the most part of the population; 4) conditioning, by their good results, the state and the performances of an economy and the human resources' standard of life in that economy; 5) basic structure of the economical agent pyramid, out of which the economical performance, competitiveness and profitability are selected.

At the European Union level, starting from 2005, classifying an enterprise in the category of SMEs is based on the communitarian recommendations 2003/362/EC referring to the definition of SMEs from 6 May 2003. For delimitation of the three categories the following criteria are considered: a) the category of micro enterprises includes economic units (companies) with less than 10 employees and a turnover smaller than two millions euro or maximum total funds of two millions euro; b) the category of small enterprises is delimited under the conditions that define micro enterprises and above the overall fulfilment of the following conditions: maximum number of employees is 50, the turnover smaller than ten million euro or total maximum funds of ten millions euro; c) the category of medium enterprises comprises all those companies that fulfil the following conditions overall: the number of employees is between 50 and 250, the turnover has values between 10 and 50 million euro or total maximum funds are between 10 and 43 million euro. Within the UE economy, the SMEs play an extremely important role, having a main, remarkable contribution to: the employment, the getting gross added value, the GDP formation. In the EUROPE – 19 level, starting even from the year 2003 almost full majority of the enterprises were SMEs (99.8%).

2. SMEs IN ROMANIA

Classification of micro enterprises, small and medium enterprises in Romania

According to the SMEs Law no. 346/2004 with respect to the stimulation of setting up and developing SMEs, the operational characteristics must focus on the number of the employees. Depending on the annual medium number of the employees and the turnover (made of total value, without tax, of products delivery and service provisions, that would be charged if they were not provided by « a small enterprise », performed by the charged person within
a calendar year, including also the free operations with deduction right and those free operations without deduction right, excepting: tangible or non-tangible capital goods delivery; intercommunitarian deliveries of new means of transport) or assets-total (meaning frozen assets plus circulating assets plus anticipated costs) that they own, in the following categories: a) the micro enterprise is a Romanian legal person that fulfills the following conditions overall: makes profits, others than those coming from consulting and management, in a proportion of aver 50% of total incomes; has from 1 to 9 employees; has realized incomes that do not exceed, lei consideration, of a 100,000 euro; social capital is owned by natural and/or legal persons, others than the State, local authorities public institutions and makes a turnover or owns assets-total of up to 2 million euro, lei consideration; b) small enterprise has between 10 and 49 employees and gets a turnover or owns assets-total of up to 10 million euro, lei consideration; c) the medium enterprise has between 50 and 249 employees and gets a turnover of up to 50 million euro, lei consideration, or owns assets-total which do no exceed 43 million euro, lei consideration.

**Autonomous, partner and linked enterprises**

Depending on their relationship with other enterprises, taking into account their social capital or owned voting rights, there can be three types of enterprises: a) autonomous enterprises, if they own less than 25% of social capital or of the voting rights in one or more enterprises or of the given enterprises; b) partner enterprises are all those where we can find this type of relation: enterprise (superior) owns, individually or in common, 25% or more of the social capital or of the voting rights of an enterprise (inferior); c) linked enterprises are those enterprises or groups of natural persons that action on the base of a mutual agreement, among which there are relations as follows: an enterprise owns the majority of voting rights of the shareholders or of the partners of the other enterprise; an enterprise has the right to name or recall the majority of the administrative board members, leaders or supervisors of the other enterprise; an enterprise has the right to strongly influence the other enterprise, according to a contract signed with this enterprise or according to a clause of its charter; an enterprise is stockholder or associated to the other enterprise and owns individually, on the base of a contract with others shareholders or partners of that enterprise, the majority of voting rights of the shareholders or partners of that enterprise.

**Calculus of the annual medium number of employees**

Annual medium number of employees corresponds to the monthly medium number of persons hired in the enterprise within a year, calculated on the basis of filling in the General ledger of employees’ records and represents arithmetic mean by summarising present employees in the unit in that month (including resting weekly days and legal holidays), divided by the total numbers of calendaristic days. The number of the present employees of the previous day will be considered for each resting weekly day or legal holiday. According to the annual medium number of employees, the turnover and/or the assets-total, on the basis of a statement, there will be established the way of classification of enterprises into micro, medium and small, respectively the calculus for partner or linked enterprises, document submitted on personal liability of the legal representative of the company.

**Option regarding payment of corporate tax**

Law no. 346/2004 refers, especially, to a frame-classification of companies of different dimensions (annual medium number of employees smaller than 250, annual turnover up to 50 million euro, assets-total do not exceed 43 million euro, lei consideration) for getting some facilities at their setting up or after their setting up for developing the business. Here, a clear example is represented by the programmes performed by means of the National Agency of Small and Medium Enterprises, programmes that consider this latter classification and not the conditions imposed by the Fiscal Code. To clear this up, we can say that some are small enterprises and others are “very small enterprises” or “micro-SMEs”. Micro enterprises which pay corporate tax can choose to pay it starting from the following fiscal year. This option can be expressed until 31 January of the next fiscal year to whom this corporate tax was due to. Corporate tax quota of micro enterprises is: 2% in year 2007; 2.5% in year 2008; 3% in year 2009. As an exception from this provision, if within a fiscal year a micro enterprise gets incomes bigger than 100,000 euro or if the value of the incomes from the consulting and management in total incomes exceeds 50% inclusively, this will pay corporate tax considering the incomes and costs realized from the beginning of the fiscal year, without the possibility of getting advantage of the provisions of present title for the next period. The calculus and corporate tax are made starting from the trimester when any of the stipulated limits in this article was exceeded, without paying any surcharges for delay. When calculating due corporate tax, payments representing income tax for the micro enterprises within that fiscal year are deducted.
Special exemption treatment granted to small enterprises by a minimum limit to be payer of V.A.T

A taxable person settled in Romania, whose annual turnover, estimated or realized, is inferior to 35,000 euro, whose lei RON consideration is established at the exchange rate announced by the Romanian National Bank at the accession date, can ask for exemption from paying the value added tax, called hereinafter special exemption treatment.

3. Sociological material and statistical method

To characterize in short, it was underlined the importance of sociological research by the statistical method of interpreting the inquiries corresponding to a survey directed on rates, as a useful instrument at the manager’s hand, helping him with making his business plan. The research has used a statistical survey at random, based on an expert, in other words it was directed, performed during June 2007. It was used a structured communication form, that is a survey, containing questions which have been addressed to all the respondents surveyed, in the same order and with the same forms. Record and self-record of the questioned persons’ answers were used. The survey was tested by an inquiry–pilot, whose objectives were to validate all the elements of the research and to eliminate all types of initial errors. Stating dimension and the structure of the inquiry, respectively the assessment of the rates, were at the base of issuing the survey. The sample was structured according to more criteria, which, in the end, became structural rates (age, experience, job, qualification, socio-professional category). The respondents work in about 20 private and public companies in Pitesti. There were 150 persons questioned and at the end 142 persons answered the survey.

The organization of such research is based on its advantages (getting data in a short time and at a minimum cost, possibility of using qualified personnel, generalization of the received data upon the whole community, as well as the possibility of mentioning errors associated to that associate generalization). Among the most important research operations can be mentioned that of establishing the sample which is going to be surveyed. Dimensioning the sample can meet restrictions of statistical type (degree of spreading values specific to individual units of collectivity, probability of granting the results, size of the trust area in which the results are expected to be framed) and restrictions of administrative type (money available, time interval within which the results must be obtained, personnel that is going to perform the survey, presence or lack of an appropriate surveying base, way of setting and organization of units in the general collectivity).

The survey has been made of 35 questions (annex no.1). According to the first question, 74 % of respondents consider that the Romanian economy is not a functional market economy. Among the main reasons for sustaining this answer are: insufficiency of legal regulations, excessiveness of the tax system, difficult control system and too many political interests. At question 4, the majority of employees (86 %) appreciate in a positive way the activity of the trade companies they work for. Question 5, regarding getting in time the salaries gets 88 % positive answers. The managerial activity is considered to be positive by 84 % of surveyed persons (question 7). Most of the employees prefer working in the private sector (73 %–question 9). Public system continues to be preferred for its security and fixed working program, and the private one – for its possibilities of higher earnings and possibilities to be promoted in career. Trade companies’ debts, are most of them to the banks (51.8% - question 13). Among the employees, there is a trust in the creditential system (77%-question 16), majority considering that the credits should be loaned first of all from the banks (57.7%-question 18). Subsidizing for public economical units is consider a process with a negative impact by 42.6 % of respondents (question 23). The main reasons for maintaining this subsidize should be the decrease of the unemployment and the strategic control of the economy (71.6 %, respectively 12 %-question 24). In the opposite direction can be mentioned the decrease of the corruption and the stimulation of the private entrepreneurs. (29.6 %, respectively 26.8 %- question 25). Opinions regarding the efficiency of the collecting taxes and fees system are relatively divided into equal parts (42% efficient and very efficient, respectively 39.6 % inefficient and very inefficient-question 26). The increase of arrears (debts) in Romanian economy is mainly due to the corruption of state-aiding for some inefficient economical units (44 %, respectively 24.6 %- question 27). The changes that are necessary in the legislative system should be made first of all in collecting efficiently taxes and for credit extend (36 %, respectively 38.6 %- question 28). The majority of respondents consider that integration of Romania in European Union will have good and very good effects 14%, respectively 53% - question 30). The answers given to the majority of the questions are also influenced by the economical sectors in which the interviewed persons are working. (30.6 % in trade, 10, % in industry, 10.6 % in real property transaction and other service, 10 % financial intermediations – question 31).
4. Conclusions

To communicate the result of the research, we start from the history of this universitary initiative related to the role, importance and area of including the SMEs, sociological survey performed in summer 2007, in Pitesti and the results regarding SMEs, as well as the presentation as conclusions, versus expectations, risks and challenges of this economical sector in development. Awareness by the business local environment of necessity to use these study results of long researches, as instruments of knowledge at the manager’s hand, in order to get valid information necessary to the next business plans. Getting to know and value the national and European sustaining measures, assurance of an easier access to the structural funds for small and medium enterprises. Within this phase it was mentioned the fact that the State, by means of the three public powers, must support in the same time the activity of research-development-innovation and to facilitate the permanent contact among the high education institutions, research institutions and small and medium enterprises. In the context of adherence to the European Union, state-aids for SMEs, or for the research-development, are of European Commission competence.

In 2007, the most frequent difficulties that small and medium enterprises have met are excessive fiscality (signalized in 64.70% of enterprises), excessive bureaucracy (64.62%), decrease of internal demand (41.58%), high interests for loans (41.27%), difficult access to the loans (38.51%), and corruption (38.13%) delays for bill payment (37.83%). The most frequent opportunities for SMEs during 2007 were: increase of sellers on the domestic market (pointed in 64.70% of companies), new products acceptance (54.59%), penetration of new markets (51.15%), setting up of new business partnerships (41.81%) and usage of new technologies (34.53%). The main competitive advantages that SMEs consider that they have by comparison to those of their competitors are: the quality of products or serviced offered, pointed by 54.36% of enterprises, price-quality ratio (47.09%), law price of the products or services provided (31.16%), company’s fame (15.93%), employees’ professional training (11.26%), post-sale services delivered (6.97%), distribution channels used (6.20%) and the capacity of innovation (5.13%). Taking into account that most of the new enterprises in Pitesti are small or medium, this sector absorbed the most part of the laid-off working force, and contributed in the same time, to the formation of a new generation of owners and employees. Besides this merit of contributing to the turning up of a stronger and stronger private sector, most of these companies are characterized by a special flexibility and capacity to adapt to the new.

At the moment, not all the small and medium enterprises in Pitesti are enough prepared to answer to the mission of the “engine” for the local economy, the lack of competitiveness being caused, mostly, by situation of non-adaptation to the European standards, or due to their inability to get financial sources aimed for the investments in new technologies and for implementation of quality system or to benefit of consulting services that could offer them the orientation on the market. That is why, The National Agency of Small and Medium Enterprises and Cooperation will have to continue the efforts of sustaining small and medium enterprises, focusing especially on the facilitation of accessing capital, on technological development and on alignment to the standards of quality of products and services. The estimated value at the moment of the European support for the SMEs, by means of the mentioned measures will be of about 800 million euro for the period 2008 - 2013. This financing will be offered by the European Fund for Regional Development.

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Annex 1. SURVEY
1. Do you think that the Romanian economy is a functional market economy?
   □ YES  □ NO
2. If “yes”, what is your support?
   a. ___________________  b. ___________________  c. ___________________
3. If “no”, which are the causes?
   □ legislation is insufficient  □ tax system is excessive
   □ control system is difficult  □ investments in production are not stimulated
   □ there is no homogenous loan system □ too many political interests interfere
   □ others
4. How do you appreciate the activity of the company you are working for?
   very good   good   I don’t know     weak     very weak
   □ □ □ □ □
5. Do you get in time your salary?
   □ YES  □ NO
6. If “no”, what are the reasons?
   □ difficulties in supplying with raw material  □ difficulties in turnover of goods
   □ debts to the State or banks  □ difficulties in management
   □ others
7. How do you appreciate the Board of the company?
   very good   good   I don’t know/I can’t say     weak     very weak
   □ □ □ □ □
8. How does the management answer to the market fluctuations?
   □ foresees the fluctuations  □ meets the demand  □ modifies itself according to the circumstances
   □ calls for production loans  □ increase or decrease personnel
   □ makes stocks  □ others  □ I don’t know/I can’t say
9. Which sector would you like to work in: public or private?
   a. □ public
   b. □ private
10. If „public”, why?
    a. ___________________  b. ___________________  c. ___________________
11. If „private”, why?
    a. ___________________  b. ___________________  c. ___________________
12. The company you are working for has debts?
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13. If „yes”, to whom?
☐ State ☐ banks ☐ to other companies ☐ to private persons

14. The debts are paid at time?
☐ YES ☐ NO ☐ I DON’T KNOW

15. If „no”, what are the reasons?
☐ uncollected funds from partners ☐ unsold stocks ☐ too high taxes and fees
☐ faulty management ☐ difficulties in getting production loans
☐ inflation ☐ others

16. If you are/were in a leading position, would you recommend accessing loan system?
☐ YES ☐ NO

17. If „no”, what are the reasons?
   a. ___________________
   b. ___________________
   c. ___________________

18. If „yes”, where do you think the loans can be accessed from?
☐ from State ☐ from banks ☐ from companies ☐ from private persons

19. Please, motivate your choice.
   a. ___________________
   b. ___________________
   c. ___________________

20. How do you appreciate the functioning of present loan system in Romania?
☐ very good ☐ good ☐ I don’t know/I can’t say ☐ bad ☐ very bad

21. What are the reasons?
   a. ___________________
   b. ___________________
   c. ___________________

22. Do you think that the State should play a role in the loan system functioning?
☐ bigger ☐ smaller ☐ the actual one ☐ I don’t know/I can’t say

23. Do you agree with the subsidizing of some economical public units?
☐ YES ☐ NO ☐ I DON’T KNOW/I CAN’T SAY

24. If „yes”, why?
☐ for decreasing unemployment ☐ for strategic control of economy
☐ for directed development of the discriminated zones ☐ for excluding private arbitrary
☐ for production stimulation

25. If „not”, why?
☐ for stimulating efficient productivity ☐ for decreasing corruption
☐ for stimulating private entrepreneurs ☐ others

26. How do you appreciate the collecting taxes and fees system?
☐ very efficient ☐ efficient ☐ I don’t know/I can’t say ☐ inefficient ☐ very inefficient
27. Which are, in your opinion, the causes for increasing arrears/debts in Romanian economy?

☐ state - aid for some inefficient economical units     ☐ non competitive system of lending

☐ inefficient control of using loans     ☐ social pressure of unemployment

☐ corruption     ☐ others

28. Do you think that there should be changes in the legislation system for:

☐ efficient collecting of fees and taxes     ☐ loan extend

☐ debts recovery     ☐ other measures

29. Who should interfere in the control of arrears/debts:

☐ State     ☐ BNR     ☐ Private banks

30. In the present situation, the integration of Romanian economy in European Union would have effects:

very good     good     I don’t know/I can’t say     bad     very bad

☐     ☐     ☐     ☐     ☐

31. Economical unit _______________________________

32. Position ________________________________

33. Level of education ________________________________

34. Age ______________________________

35. Experience ________________________________