

**”LUCIAN BLAGA”UNIVERSITY OF SIBIU**

**DOCTORAL STUDIES**

**FIELD: FINANCES**

**The Faculty of Economics**

# **THESIS ABSTRACT**

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**PhD Candidate,**

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**FINANCING AND DEVELOPMENT OF SMALL AND MEDIUM  
ENTREPRISES**

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## **Summary of Thesis**

### **A. Key words:**

Small and medium enterprises, the National Development, National Development Plan, development strategies, business environment, policies and financing strategies, loans, structural funds, funding programs, entrepreneurship, funding sources, access to finance.

### **B.Motivation**

Within the European Union, as in Romania, the force development of national economies is the small and medium enterprises, which generate a large part of GDP.

SMEs through the economic and social impact on society, driven mainly by creating jobs and contributing to economic growth, are considered key elements of welfare local and regional communities, for which the industry has become the core of national development policies, regional and local.

In this respect, Günter Verheugen - Vice President of the European Commission responsible for Enterprise and Industry, said that "the whole force of Europe is involved in supporting SMEs, involving all the resources of Europe to support small businesses in their daily work and prepare the way for those who want to create more jobs and to grow in Europe and beyond. "

Given these considerations establish and develop a strong and dynamic sector of SMEs largely depends on national policies to support it. At the national level regulations that are necessary to ensure the optimal functioning and development of SMEs, thus creating an open and stimulating business environment for economic development, which involves providing a stimulating and coherent regulatory framework, simplification measures to entry / exit of firms in the market, institutionalize structures for dialogue between government and business.

Success in the business occurs as a result of the existence of these policies at the national level, but is conditioned capabilities and entrepreneurial skills of entrepreneurs. Appears therefore need to identify those sources of finance to ensure the development of small and medium enterprises and to achieve the objectives envisaged by the company.

### **C. The purpose of the paper**

In carrying out this work the main goal that I have set myself was to document and acquire personal skills necessary for accessing EU funds and other funding sources to finance small and medium enterprises and beyond.

On the other hand, the issues addressed, but with the proviso that have not been touched all aspects of this very large, this work can be a guide, a support for initiating the study and financing of SME development issues.

The current business environment in which SMEs operate is mainly characterized by strong competition, both nationally and internationally. To face this competition makers should use the most effective sources of finance for their business to ensure their proposed targets. This requires specialized information, been known issues which I have proposed in this paper.

Given these objectives, the aim of this study was to conduct a current, well-documented, the problematii financing and development of small and medium Useful stakeholders aa arrangements for financing a business.

The basis of the study served the work of specialists, Romanian and foreign but also works made in specialized institutions, national and international, which are found both throughout the thesis and bibliography.

I believe that the objectives were achieved in a satisfactory way, which I mobilized in implementing the skills acquired in my professional future.

Analysis and research conducted in this work allowed us to formulate conclusions on the practice field and personal considerations.

## **D. Content of the thesis**

The theme that we developed in this work is: Funding and developer of small and medium divided into five chapters. The manner of implementation of the work has allowed the conclusions and personal considerations.

Chapter 1 entitled Small and medium enterprises - conceptual elements and conceptual features addresses the following issues: the concept of enterprise approach, the general characteristics of the enterprise definition of small and medium enterprises in Romania and the EU definition of small and medium enterprises, application of the definition of SMEs in European Union in Romania, specific characteristics and influencing factors of SMEs, the role and importance of SMEs in the economy, legal forms of incorporation of SMEs in Romania and related legislation.

Considering the fact that all economic activities that take place in a society formed its national economy, we can say that the company is an essential component of the national economy, the basic cell of an economy that produce goods or provide services for free exchange on the market in order to satisfy consumer needs and necessities.

Between companies and their external environment have a permanent exchange of information that ensures progress preogresul enterprises and thus the entire economic system. The prosperity of any national economy is based on enterprises that compose them prosperity.

The importance of national enterprise derives from the following:

- It is the place that creates the necessary existence of material substance of any economy
- Provides jobs, so wage income population
- All of the results achieved by businesses found in default in the performance of national economies and standard of living of the population in that country

The definition of small and medium there are several approaches, different from one country to another, using different separation criteria. Thus, within the European Union, so in Romania, for defining SMEs is used multi-criteria approach, which

considers the number of employees and turnover or balance sheet recomandării total. Conform EU, "the category of Micro, Small and Medium Enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual net turnover of 50 million and / or total assets of up to 43 million euros, "the following table:

**Fig.1 De finition of SMEs in the EU**

**balance sheet**

| Type of Company | Number. employees | Annual turnover                                | or   |
|-----------------|-------------------|--|--|
| Middle          | < 250             | ≤ 50 milioane €<br>(în 1996: 40 milioane Euro) | ≤ 43 milioane €<br>(în 1996: 27 milioane euro) |
| Small           | < 50              | ≤ 10 milioane €<br>(în 1996: 7 milioane euro)  | ≤ 10 milioane €<br>(în 1996: 5 milioane euro)  |
| Micro           | < 10              | ≤ 2 milioane €<br>(nedefinită anterior)        | ≤ 2 milioane €<br>(nedefinită anterior)        |

With this new definition takes into account the relationships established between different businesses, and different categories of SMEs.

As a factor in economic and social development of the areas in which they operate, SMEs - SMEs has some specific features, such as the small size of the company, their specialization, very dynamic demographics, difficulties entering or leaving / on a market, high innovative potential, flexibility, human resources of SMEs are multispecializate, insufficient capital.

**Chapter 2 entitled "Considerations on the business environment for SMEs"**

I addressed the following issues: the concept and characteristics of the business

environment for SMEs, business components, EU policy on business and SMEs, the implementation of EU policy businesses and SMEs, considerations on the current business environment in Romania.

The activities of a company held under the influence of certain environmental conditions existing in any economy in a given period. These include a set of factors of an economic, social, political, scientific, technical, legal, geographic, demographic, natural factors that influence directly or indirectly the business.

Enterprise environment is characterized by a dynamic, its components afându into a changing.

An attractive business environment for SMEs must be predictable, dynamic, open, transparent, encourage new business creation and optimal functioning of those already on the market.

The policies and programs to support SMEs, the EU aims to create an attractive environment for the emergence and development. These policies are based on the Europe 2020 strategy which aims to make the EU economy "the most competitive and dynamic knowledge-based economy in the world". To achieve this goal the European Commission to the European Parliament the Small Business Act (SBA), which aims to create a comprehensive policy framework to support SMEs. This document is based on a set of 10 principles to ensure implementation of SME policies at EU and Member States and will be implemented new policy measures according to the needs of SMEs and a set legislative proposals guided by the "Think small First".

Implementation of the SBA around the 10 principles are monitored annually in each Member State, through the document "Fact Sheet".

Although there has been some progress in terms of business environment, Romania is below the EU average.

Thus, in terms of entrepreneurship, Romania has made most progress. The main indicators that can determine the level of entrepreneurial activity are:

- freelance rates, determined by the share in total employment of adults who desfătoară employed, which registered a 20% in 2011 compared to 15% of EU average

- entrepreneurship rate, determined by the percentage of adults who have started a business or have started for it that there was a 26% in 2012 compared to the EU average of 23%.
- Entrepreneurial intention determined by the weight of the adult population to start a business in the next three years which saw a 27% in 2012 compared to 13% EU average.

The principle of "Second Chance" is measured by key indicators: time and cost required for closing a business. From this point of view, the business is considered unfavorable, especially for people who want to reopen their business because the time required for closing a business is 3.3 years below the EU average.

In light of the "public administration responsive" business is less favorable for SMEs with all the improvements to the present. Romania positive progress regarding the conditions for the establishment of new businesses in the media of 2012 is above the European average. From this standpoint track indicators are:

- time required to start a business is 3 days the EU average of five days,
- cost to start a business is 112.5 euros from the EU average 372 euro
- minimum capital subscribed and paid, based on per capita income capita is de 1% compared to the EU average of 15%.

Aspecte pozitive s-au înregistrat și în ceea ce privește timpul necesar pentru transferul proprietății, acesta fiind de 26 zile calendaristice față de media UE de 27 zile și la costurile aferente acestui transfer de 1,2% din valoarea proprietății față de media UE de 4,62%.

Aspecte nefavorabile pentru România se înregistrează la indicatorii de natură fiscală și economică, respectiv:

- ✓ numărul de plăți de impozite pe an în 2013 a fost de 41 față de media UE de 12, în 2012 fiind de 66 față de media UE de 15.
- ✓ timpul necesar plății principalelor impozite în 2013 a fost de 216 ore pe an față de media UE de 193 ore

- ✓ costul de punere în aplicare a contractelor în 2013 a fost de 28,9% din cererea de despăgubire față de media UE de 21,5
- ✓ utilizarea serviciilor de e-guvernare de către IMM-uri în 2010 a fost de 49% față de media UE de 79%
- ✓ gradul de complexitate a acordării licențelor necesare derulării afacerilor în 2011 a fost de 19(indice) față de media UE de 16.

Din punct de vedere al principiului ”Ajutoare de stat și achiziții publice” România înregistrează decalaje nefavorabile la indicatorii: ponderea contractelor pentru IMM-uri în valoarea totală a contractelor publice, în 2008 fiind de 27% față de media UE de 38% și ajutoarele de stat destinate IMM-urilor. Procentul din ajutorul de stat în 2011 fiind de 1% din ajutorul total, față de media UE de 6%, înregistrând astfel o scădere față de 2010 când procentul a fost de 2% față de media UE de 4%. Rezultate pozitive se înregistrează la indicatorii întârzierea medie în plățile făcute de autoritățile publice, care în 2012 au fost de 20 de zile față de media UE de 28 de zile și la utilizarea serviciilor de achiziții publice electronice la care în 2010 s-au înregistrat un procent de 15% din IMM-uri față de media UE de 13%.

Accesul la finanțare reprezintă cea mai mare problemă a IMM-urilor din România aflate atât în faza incipientă cât și de dezvoltare în sensul că accesul la fondurile financiare necesare IMM-urilor este considerat foarte costisitor și inflexibil.

Din acest punct de vedere, România înregistrează rezultate negative la unii dintre indicatori, cum ar fi:

- The percentage of bank loans that were rejected and offers loans that were unacceptable in 2011 were 18% of loan applications from SMEs urlor the EU average of 15% which suggests that the conditions for loans are hard to fulfill.
- Access to public financial support including guarantees, are more restrictive, a percentage of 52% of respondents have noticed a deterioration, well above the EU average of 22%.
- Availability of banks to grant loans: in 2011 a share of 41% of respondents indicate a deterioration in banks' interest from this point of

view, well above the EU average of 27%, something that suggests applying high standards of banks to borrowers and Concurrent reluctance entrepreneurs request loans

- Regional funds □ Entrepreneurship and SMEs in 2007-2013, an indicator that Romania registered a 3% share of the total allocation to the EU average of 22%
- Romania recorded positive aspects from a number of indicators such as:
- The relative difference between the interest rate for loans up to one million euros and loans over a million euro in 2011 recorded a rate of 17% compared to the EU average of 19%,
- The time required to be paid in 2012 recorded a total of 35 days versus 52 days UEde media
- index depth information on lending, which in 2013 recorded five EU average value of four.
- EU funds for the creation and development of enterprises in 2007-2013, in 2011 was 3.9% of total EAFRD allocation to the EU average of 2.1%.

In terms of the single market, SMEs in Romania are values below the EU average indicators on imports and exports within the EU, indicating their lower competitiveness of the EU average, both nationally and internationally.

In the year 2011 the share of SMEs -rilor operating on foreign markets is 18.98% on the EU market, market 6.84% and 1.33% other European countries market countries outside Europe.

In terms of innovation Romania is below the EU average performance, recording lagging behind the EU average in all indicators, except for sales of new to market innovations which recorded an average of 15% of turnover in the 2008, compared to an EU average of 13%, which means that SMEs from Romania have the ability to turn innovation into revenue through sales.

In Romania in 2010-2012 SMEs were less innovative, representing a share of 19.8%, compared to large enterprises with a share of 40.1%. Also, compared with the

previous period 2008-2010 in both categories of enterprises have decreased, the share of innovative SMEs is 29.7% and 56.4% of large enterprises.

In terms of skills and training Romania records the values are below the EU average. Thus, in 2010 the share of firms that provide training activities for their employees is 3% of the total number of enterprises compared to 24% EU average, while the rate of employee participation in learning activities throughout life was 3 % of total employment in micro-enterprises to the EU average of 11% in 2010

SMEs in Romania are reluctant to introduce resource efficiency measures, recorded in the year 2012, accounting for 75% of all SMEs, the EU average of 93%. This is due to the measures of public support for them, they received a 3% of all SMEs in the year 2012, compared to an EU average of 9%.

In terms of internationalization, Romania is below the EU average on all indicators: the share of SMEs importing and exporting outside the EU, the cost and time required for such imports exports, number of documents relating to exports and imports. This is due primarily trading framework conditions which are less favorable than in Although Romania has made progress in terms of business, according to the World Bank's Doing Business report, which ranks 73 out of 186 economies, maintaining its position in the previous year. This is explained by the fact that the general improvement of the business environment took place while the other countries of the world have been showing in this view. In analyzing the business environment were used 10 indicators, presented in Table 2.1, in which Rumania has improved only three indicators, one stationary and the remaining 6 indicators recorded lower performance.

Thus, Romania has advanced in the rankings as indicators: starting a business, being ranked 60th in 2014 compared with 2013 instead of 65, paying taxes, which rose in the rankings with 5 seats, being ranked 134 in place in 2014 compared to 139 in 2013 and 157 in 2012.

Chapter 3 entitled "SMEs - the engine of national economic development" addresses the following topics: Entrepreneurship - factor in the development of SMEs, entrepreneurship concept presentation, the link between entrepreneurship and

economic growth company, the social, economic and political development of SMEs albums out of EU cohesion policy, the national strategic SME dev strategy 2014-2020.

Eurostat Entrepreneurship Indicators In view OECD- Programme through entrepreneurial activity means "human action exerted by the entrepreneur to generate value through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets." Entrepreneurs are represented by "people business owners" and "entrepreneurship is associated with the activity of entrepreneurs"

National law entrepreneur "is an authorized person or a legal person who, individually or in combination with other authorized individuals or legal entities, organized a company called enterprise to conduct trade facts and acts ".

To demonstrate the link between entrepreneurship and economic growth, experts in the field have developed a framework for analyzing entrepreneurial compotamentului being analyzed both determinants and consequences of entrepreneurship event analysis involving three levels (FIG. 2):

1. The individual entrepreneur acting on their own team or in partnership
2. The company
3. the aggregate level in the sector of activity, region or national.

Societal determinants that include technical factors, economic development, demographic, cultural, institutional, business, macroeconomic conditions, exerts a direct influence on the development of entrepreneurship. Not all people who decide to start a business and succeed, but some of them remain on the market making business work. These are the start-ups that new firms active in the market, a significant proportion of them innovate new products or technologies, new markets, directly affecting business performance.

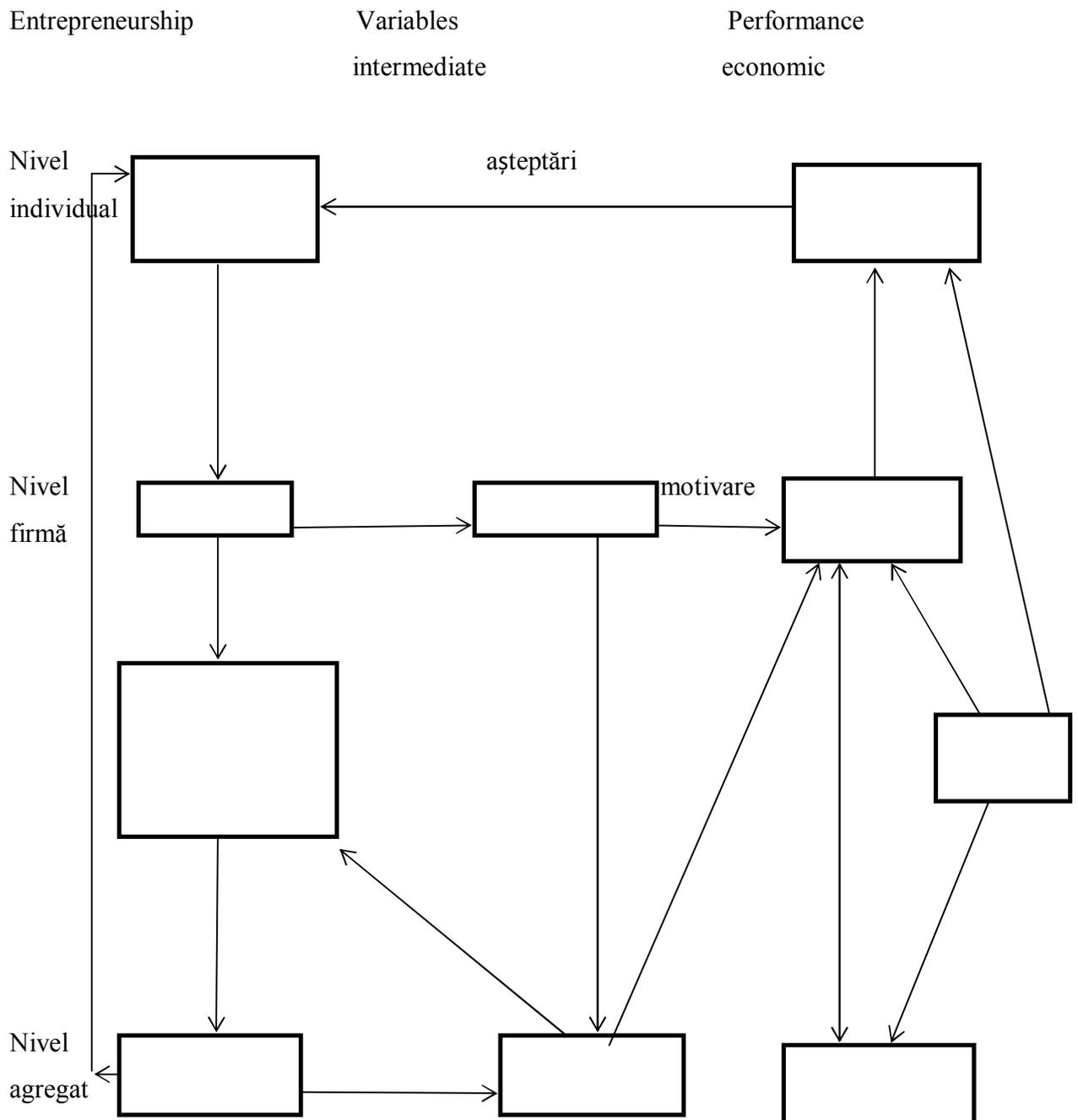
Start-ups influence the economy through a series of actions undertaken in the company, such as entry into business, innovation, merger, exits the market. The effects of these actions, behavior and decisions are felt by firms in the sector, region and national economy, so at an aggregated level, generating a dynamic competitive market. Companies are obliged to react to changes occurring in the market,

competitive environment, leading to a restructuring of the economy by staying on the market only viable companies that record economic performance.

The competition generates new business opportunities, which leads to stimulation of entrepreneurship through the creation of new firms.

Spiritual connection between entrepreneurship and economic growth at the macroeconomic level is represented in Fig. 2.

**FIG. 2 Entrepreneurship and economic performance: light macro**



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In terms of economic performance at the aggregate level, by stopping or creating business opportunities, influence and economic performance at the firm. An expanding economy has a wealth of resources, companies are also expanding achieving superior performance, while an economy in recession acts as an inhibitor for companies. So economic performance at the aggregate level and at the company directly influence.

Measuring the dynamics of international business activity is carried out at the Project Global Entrepreneurship Monitor (GEM) initiated in 1999 by academics from London Business School in the UK and Babson college in the United States.

GEM conceptual model is an approach that seeks socioeconomic national conditions determine how entrepreneurship development and involvement, motivation that entrepreneurs pursue an entrepreneurial activity.

The revised GEM brings a new element by understanding that changes and grows economies through entrepreneurship. GEM research divides economies participating in research in three stages of development:

- Savings based on factors whose development is determined by the basic requirements, namely infrastructure, macroeconomic stability, health and primary education.

- based economy whose development efficiency is determined by the existence of economic levers to ensure proper functioning of the market, market size, technology readiness level, the higher education system.

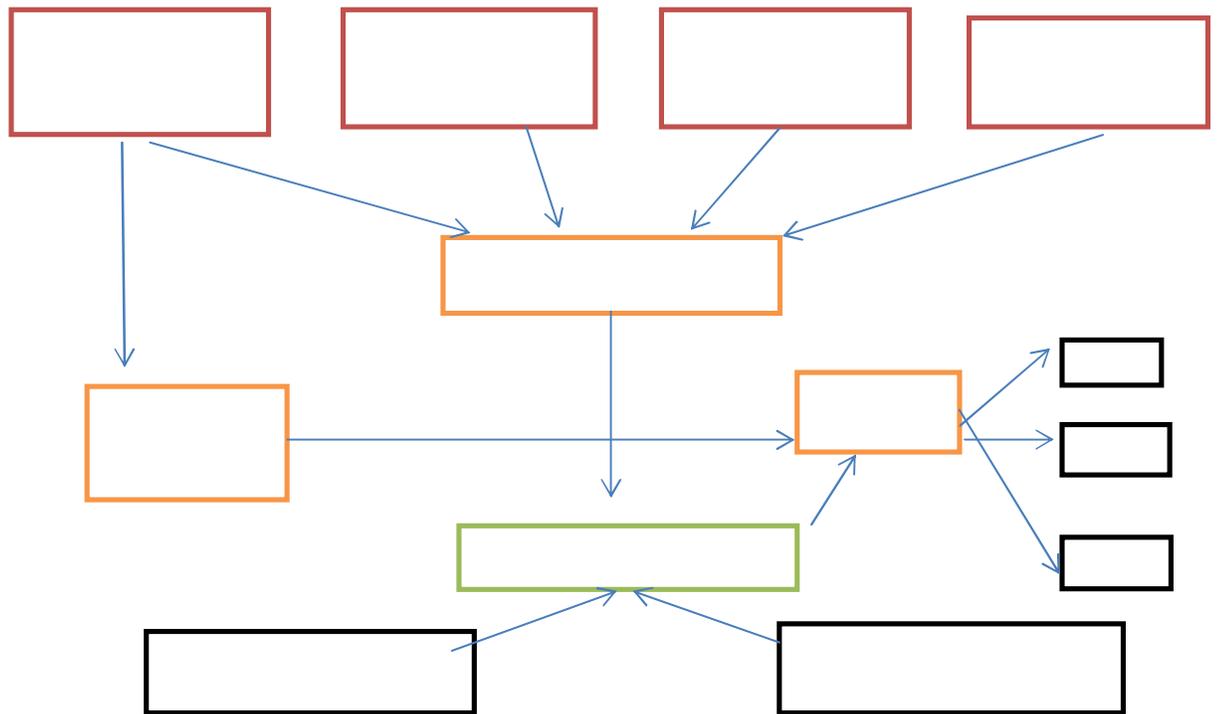
- These items are not directly related to entrepreneurship, but a determined indirectly in that it creates the premises for the development of entrepreneurship.

- Savings based on innovation in the development presupposes the existence of the essential requirements for the development of entrepreneurship as aspects of business financing, government policies and programs, education and training, transfer of research - development, market entry regulations, infrastructure, cultural norms and social.

All these elements contribute to economic and social development of the country by creating jobs through innovation and value creation in society.

From the point of view of the social, economic and political development of SMEs, show that the National Strategic Reference Framework (NSRF) 2007-2013 linking 'national development priorities set by the National Development Plan (NDP) 2007 - 2013, the European priorities - priority Strategic Guidelines (PSO) on Cohesion 2007-2013 and the Integrated Guidelines for Growth and Jobs 2005-2008. "Strategic connections between them are shown in Figure 3.

**FIG. 3 the strategic connections with the national strategic reference**



The overall objective set by the National Strategic Reference Framework 2007-2013 is: "Reduce economic and social disparities between Romania and EU member states by generating an additional 10% of the GDP until Considering the economic and social development needs Romania, the NSRF thematic priorities were established

following, closely related to the EU strategic Guidelines and the overall strategic direction defined by EU regulations:

developing basic infrastructure to European standards

- Long-term growth competitiveness Romanian economy
- development and more efficient use of human capital in Romania
- enhancing an effective administrative capacity 2015 "

In Chapter 4, "Financing I.M.M. - S "I, the following aspects related to foreign funding sources such as bank loans - types of loans to SMEs, their characteristics and the conditions for the grant, but also reimbursable sources, namely structural funds and national programs to finance SMEs. Also remembered aam and other sources through which SMEs can finance investment such as leasing, factoring. In Chapter 5, entitled Research on SME sector - SMEs have presented the analysis of the SME sector both at both the Uecât and in Romania. SME issue was treated in terms of their contribution to economic growth by achieving GDP, value added, number of employees in SMEs and their performance by SMEs, respectiv turnover, profit.

We also performed an analysis of SMEs in Brasov Romania compared to where we highlighted the performance of SMEs to economic growth Brasov county.

We conducted a case study on the provision of credit for investment in an undertaking that I realized Brasov credit application analysis and conditions of the loan.