



DEVELOPING PROGRAMS FOR THE BUSINESS ENVIRONMENT- ECONOMIC POLICIES

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Abstract: *In early 2000, in Romania, there wasn't much of a talk about stimulating business environment and in this case the SMEs (small and medium enterprises). After a transition period, various attempts to implement a financial and logistical support from the state were beginning to bear fruit with the year 2009 and take hold in 2011. Amid all legislative changes occurred, the Romanian state proves its effectiveness regarding Romanian entrepreneurs and especially young people, university graduates determined to make their way in the business.*

Key words:

Micro enterprise, entrepreneurship, young entrepreneurs, debutante

JEL Codes:

D01, D03, J24

1. Introduction

Backing the development of small and medium enterprises (SMEs) is a priority at European Union level and at national level also, as this very large category of economic agents, stronger and more flexible than large enterprises, represents the backbone of any modern economy.

2. Literature review

Development programs have evolved sharp (from Adam Smith, David Ricardo, John Baptiste Say to Friedrich Hayek, Milton Friedman, Roubini, Stiglitz), with the rise liberal doctrines development policies of the World Bank, after the development of entrepreneurship and interest in free enterprise and entrepreneurship.

3. Methodology of research

This paper performs a dissertation on the need to develop programs for business able to stimulate investment, create jobs and growth.

4. Results

The SME sector is strongly influenced by a strong fluctuation, annually being established and, respectively, leaving the business, at European level, hundreds of thousands of businesses, most of them being SMEs. The global financial and economic crisis has been the main cause which led to a significant increase, in recent years, of the increasing number of disappearances of small and medium enterprises all over the world, and Romania, of course, is not being an

exception to this phenomenon. Reality confirms that lately many SMEs, particularly start-ups, have been and still are affected by the economic crisis, some of them by having an abruptly ending and others are on a waterline. Also in our country, many firms go out of business, some voluntarily, but increasingly due to the onset of insolvency proceedings at the request of creditors. In the struggle for survival on the market, the effective management of their financial resources and attracting foreign funds with reasonable costs prove to be, with the innovation activity of products and services brought to market, really decisive factors, for which entrepreneurs are obliged to take account.

State support is expected, especially in terms of supporting and promoting entrepreneurship in general and also free enterprise manifested particularly in the commercial exploitation of research results regarding development and innovation. The state is also called upon to take steps to improve the existing business environment. Among the envisaged measures are also the measures regarding new businesses, designated to satisfy the demand that is being identified at the niche market level. It is in this sector that is expected to show entrepreneur, business spirit of as many Romanians, especially young, found on a first-time business initiative.

However, statistics show that young university graduates hardly find a job, lack of cash preventing them to engage in business. The legal framework for the emergence and development of small and medium enterprises in Romania followed this issue since 1990 in the form of regulations. Stimulation of the general

framework of establishing new businesses, especially in the difficult economic and financial crisis induced conditions, was a necessity for establishing the increasing number of active firms in the market, and also for the employment increase.

In this sense, programs that foster entrepreneurship, especially among vulnerable social groups, such as young people, generally, and people who have lost their jobs held in the European Economic Area and have returned to the country are of public interest, helping to solve concerning social problems.

Given the strong social impact that it has, in the current context, promoting support programs for the creation of micro enterprises, it was deemed appropriate to promote an initiative by developing a government ordinance in 2011 to stimulate creation and development of micro enterprises by young entrepreneurs.

Expected changes

In the normative rules, terms of young entrepreneur, of business debutante, respectively, of micro enterprise are defined and limited in time as belonging to young people, respectively, to debutants freshly entered in business market.

Legal regulations provide for these micro enterprises, an activity purpose restricted to no more than five of the groups of activities under NACE rev. 2, starting from the assumption that entrepreneurs who opt for this type of micro enterprise (less than 5 pair!) have a clear idea of business in a particular area (each of the five associates being able to focus and coordinate the company businesses on a single area of activity!) so micro enterprise will be more likely to be profitable, to rapidly develop and strengthen the economic and financial in those 3 years when it is eligible for certain facilities.

State support regarding the creation of new micro enterprises seeks emerging opportunities in the market so that they can develop healthy and their active life duration to be increasing. By the conditions of the program, but also through counseling, training and support to these micro enterprises, in full compliance with the guidelines of the European Employment Strategy, aims to create within the local business environment, a new generation of business people, able to act on the requirements of the Single Market.

Facilities for SMEs:

a) the provision of grants, representing more than 50%, but not more than EUR 10,000 or the equivalent in lei, of the project value for the business plan for which is made proof of funding sources.

b) guarantees granted by the National Credit Guarantee Fund for Small and Medium Enterprises -

SA - I.F.N. (FNGCIMM) for loans to beneficiaries in order to achieve business plans, in compliance with the conditions stipulated in the internal rules and procedures of credit institutions and the FNGCIMM, up to a maximum of 80% of the requested loan, in the amount of 80,000 euro or the equivalent in lei;

c) exemption from social security contributions payable by employers for income for time worked by no more than 4 employees, employees for an undetermined period.

d) exemption from paying the fees for the registration operations effected at Trade Registry for registration of small enterprises;

e) counseling, training and support from the state.

National programs

EU Enterprise Policy regarding micro enterprises addresses to the whole business environment and aims to encourage and facilitate the establishment of new businesses, establishing a business environment in which each firm to have effective access to markets for products and services, both in Europe and beyond. The Romanian Government recognizes and appreciates the importance of the small and medium enterprises sector as a base for developing a modern, dynamic, based on knowledge economy. With the aim of creating a favorable frame for exploitation the present possibilities of economic development of Romania and the stimulation of business environment by establishing and developing small and medium enterprises the following programs are instituted and functioning:

1. The program for the stimulation of establishing and developing micro enterprises by young entrepreneurs - aimed at fostering entrepreneurship among young people through the development of new policy measures for the economic recovery of Romania.

The program seeks:

a) Development of entrepreneurial knowledge-based skills and efficient management of resources in order to easily adapt to rigors caused by the globalization of markets;

b) Stimulation and support for starting and developing new firms (start-ups) by facilitating their access to funding;

c) Facilitating youth access to funding sources.

2. The Mihail Kogălniceanu program for small and medium enterprises- aims to facilitate the access of SMEs to credit and guarantee by granting a credit line with interest fully subsidized and/or partially guaranteed by the state.

The program seeks:

a) Facilitating SMEs' access to funding

b) Maintaining activities and existing workplaces among SMEs and keeping their economic competition

c) Reducing the arrears owed to the state by the SME sector;

d) Reducing the cash money that currently flows unhindered in non-taxed economy.

3. The program for developing the entrepreneurship among entrepreneur women from the SMEs' sector- increasing potential of access to funding sources and facilitating entrepreneur women's access to funding sources

The program seeks:

a) Improving the economic performance of existing businesses run by women, by accessing funding sources from the state budget;

b) Promoting self-employment and the increase of women entrepreneurs in the business community;

c) Developing the entrepreneurial capacity and entrepreneurship among women;

d) Increasing the number of new jobs created in the private economic structures headed by women and the benefits brought to the national economy.

4. The program for developing entrepreneurial skills among youth and facilitating their access to START funding- aimed at increasing potential of access to funding sources and developing entrepreneurial skills of entrepreneurs.

5. The development and improvement program of commercializing products and market services activities- aims to support economic operators, commercial companies and cooperatives to, increase competitiveness level, to create and maintain jobs, to increase consumer's protection and food security by facilitating access to finance

The program seeks:

a) Strengthening the capacity of operators to promote products and market services;

b) Developing and modernizing the activity of traders and market services providers.

6. The program for supporting crafts- aims to stimulate the development of crafts and of small Romanian industries, of strengthening the small class of craftsmen and artisans

The program seeks:

a) Winning new external markets for this type of products and services;

b) Stimulating the internal demand for products and services that involve a significant degree of manual processing;

c) Increasing the visibility on the market of both the artisans and the products and services provided by them;

d) Improving craftsmen's access to market information and facilitating recovery of such information;

e) Developing business contacts and making partnerships;

f) Promoting services and products made by appealing to traditional technologies and having a significant handmade part;

7. Establishment and development program of technological and business related incubators- generally aims to develop the SME's Romanian sector by creating new business incubators, and also by developing existent business incubators

The program seeks:

a) Creating a favorable work environment for the development of SME's

b) Promoting an entrepreneurial culture and improving the managerial performances

c) Consolidation of a dynamic private sector, capable to keep up with the competing forces and with the international competition

d) Increasing the number of competitive economic activities, strengthening the funding climate, and also reducing the unemployment rate in the target areas

e) Development and increase of the number of non-agricultural activities in the countryside by creating new incubators

f) Developing the local, regional, national, international economic environment by using in a more efficient way the existing economic and human potential in that area;

g) Establishing and developing innovative SMEs, able to effectively use existing resources and which, at the end of the incubation time, will be in a stable financial situation;

h) Creating an effective relationship between technological and entrepreneurial potential of the target areas;

i) Developing a business infrastructure able to handle the competitive pressures;

j) Favoring the access of incubated SMEs to information, professional consulting services, funding sources, and also to specific equipment;

k) Increase the number of jobs and economic development of the target areas;

l) Promoting a tight cooperation between the national, regional, local main partners in order to achieve a sustained economic development;

m) Correlating the activities of Business Incubators with those of existing economic operators in the area;

n) Creating and strengthening a national business incubators network.

8. EMPRETEC program - is an integrated training program that provides training and technical assistance to entrepreneurs and an institutional

framework for the development of entrepreneurship and competitiveness in local and international market of small and medium enterprises

The program seeks:

- a) Identification of success entrepreneurs;
- b) Development of personal and managing entrepreneurial skills;
- c) Development of modern business methods;
- d) Mobilization of Romanian entrepreneurial resources and strengthen of the entrepreneurial dynamism of small and medium enterprises in Romania
- e) Encourage the change of experience and the development of local and international relationships;
- f) Development of the SME's capacity to elaborate and implement competitive business strategies;
- g) Support for the small and medium enterprises in order to extend markets and to increase exports;
- h) Development of business contacts and networks outside Romania and initiate trans-borders cooperation.

6. Conclusions and recommendations

In view of the business debutants people's interest capacity, of the development of the number of entrepreneurs among young people and unemployed persons, are provided a number of special facilities given to these micro enterprises, so is a number of specific obligations that these have to fulfill for benefiting of these facilities, all of these for a limited period of time, after which, the respective micro enterprise is considered to have achieved maturity and an economic-financial consolidation and can easily handle the market without any other state support. Giving facilities requires from the state an additional effort of time and of human and financial resources in the monitoring of the micro enterprise period, the intended objective being to remain on the business market as many entrepreneurs.

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- Law no. 31/1990 on trading companies, republished, with subsequent amendments;

The European Charter for Small Enterprises (ECSE) - HG acquis document No. 656/2002;

Law no. 346/2004 regarding the stimulation of small and medium enterprises, as amended and supplemented;

H. G. No. 1280/2004 approving Government Strategy to support the SME sector in 2004-2008;

H. G. No. 290/2006 for approving the Strategy for stimulating the development of the national network of business incubators and the following Community rules applicable in Romania:

EC Communication. COM (2008) 394 final, "Small Business Act for Europe" (SBA) - consultative document addressed to the Member States.