THE EVOLUTION OF THE ENTREPRENEURSHIP IN ROMANIA – A QUANTITATIVE APPROACH AT REGIONAL LEVEL

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Abstract
The main goal of the current research paper is to analyze the evolution of the entrepreneurship in Romania, for the period 2008-2016, of a four main indicators. The source of all data used in the present paper is the Tempo Online Database of the National Institute of Statistics. The evolution of the working age population during the analyzed period does not record very high variability, the difference between the last year analyzed and the first year included in the analysis is of only about 1.4%. However, notable is the fact that the evolution does not have a clear trend being fluctuating. The unemployment rate had a peak of almost 8% during the year 2009 when the impact of the global crisis was felt the hardest in Romania. Afterwards the trend is negative with an abrupt decrease until 2011 when the unemployment rate came close to 5%, followed by a smooth increasing trend. Noteworthy is the fact that during the last four analyzed years the unemployment entered again a decreasing trend, the unemployment closing down to 4.5% (still higher than the 4.4% recorded in 2008).
Using panel data regression we have identified some of the main characteristics of the Romanian entrepreneurship that can be considered as indicators. As far as the regional perspective is regarded it is obvious that one can identify at least two large areas with two different development speeds.

Keywords
entrepreneurship, firms, unemployment, regional disparities

JEL Classification
L83, O18, P25, P48

Introduction
Entrepreneurship, the private initiative, in particular and the private firms in general are the backbone and the driving force of any market economy.
The role of entrepreneurship has an economical and a social component. This arises from the relationship with other manufacturers, organizations, institutions, but also from the founders and employees of the company itself. The role of the companies is different from each of these collective entities.
One can speak of a formal role and of an actual role of the company. The formal role shows what a business has to do, while the real role shows what a business is actually doing. The

major part of the formal role is contained in the activity of the company, which was defined together with the formation of the company. This role can also be found through the goals that the founder or founders initially identified. The company has a target system made up of one or more haptic targets and several minor targets. One can represent these in a pyramidal form. The main objectives are usually set in relation to sales, net income or market share.
Economically speaking, the main role of the company is to produce the goods and services in the market, to sell them, to create value and perhaps also to bring in an income. In the current vision of the economic role of the company, we find two different ideas. One of those refers to the mission of the company to create value and implicitly bring profit to the company's founders. According to the second idea about the economic role of the company, the management must find a balance between the expectations, rights and claims of the associates, managers, shareholders, suppliers, customers, government and other authorities. Until the '70s, small and medium businesses were not seen as important. It was thought that the big companies are more meaningful for the development of the economy. Nowadays it is known that the small and medium businesses can bring much more value. 50 years ago, the businesses, research and education of entrepreneurs were not an important activity and were considered a collateral activity.

1. Literature review and general framework

The small medium enterprise sector has now a very well-defined structure and it is known that the economy of a country depends very much on the functioning of this sector. A dynamic and healthy branch of SMEs can power the national economy.
Since the late 80s / early 90s, a series of articles has been published, which criticize the "Trait Approach". (Gartner, 1989) even pointed rather brusquely, if the personality of the entrepreneurs really important for the business is. The "traits" approach does not lead to his opinion a declaration of entrepreneurship or success because "a startling number of traits and characteristics have been attributed to the entrepreneur, and a "psychological profile "of the entrepreneur assembled from these studies would portray someone who has a great deal of life, full of contradictions, and, conversely, someone so full of traits that he would have to go to a sort of generic 'Everyman' ". He asked then to discuss whether it was not much more important to find out what an entrepreneur is doing to succeed. He clearly pursued one behavioral approach. As a result, traits research has become increasingly insignificant, especially in the United States. There have been a number of long-term studies that "traits" are not considered significant or at least not particularly relevant.
The research of the recent years made clear the following trend: the business model is recognized as an important component of any successful business and it was made a fine distinction between "entrepreneurship" and "intrapreneurship”.
The difficulty of agreeing on a definition of the term "entrepreneur" is already discussed (Kilby, 2015). He compares the entrepreneur with the "Heffalump" from A. A. Milne's book "Winnie the Pooh". There the Heffalump is described as: "... rather a large and important animal. He has been hunted by many individuals using various trapping devices, but no one so far has succeeded in capturing him. All who claim to have caught sight of him report that he is enormous, but disagree on his particulars. "It seems similar with the entrepreneur; he too is described by many, science agrees that it exists and has a high relevance, but disputes about appearance and properties. Overall, many different definitions of entrepreneur or entrepreneurship can be found; Morris documents 77 different definitions in relevant publications over a period of five years. Overviews of further collections of definition possibilities can be found, for example, in Fallgitter or Gartner.
Even though the discussion in the literature has not yet been completed, at least three basic groups of approaches can be defined: Entrepreneurship as a function of the market, the

Entrepreneur as an individual and Entrepreneurship as a process (Landström, 2018). Often, this systematization is broadened or refined: For example, numerous publications regarding individual relationships still differ between personality-oriented and behavior-oriented approaches (Stevenston, 1990; Jarillo, 1990).

Romanian entrepreneurship is definitely in a promising stage. Despite the country having a lot of potential, the dynamics of change towards a more innovative economy and digital society are poor. Reports of the current state of the entrepreneurial ecosystem show that the biggest barriers hindering its development are lack of trust, transparency, and predictability, as well as access to finance and a limited capacity of higher education institutions in playing an active role as a stakeholder. Nevertheless, insufficient communication among ecosystem stakeholders and poor coordination along government policymakers are currently slowing down the ecosystem's evolution process. There are undoubtedly islands of excellence, and access to a well-educated talent pool is one of Romania's main assets. However, brain drain, insufficient funding opportunities, and the low culture of entrepreneurship require radical policy actions if the current state of affairs is to change faster.

For the Romanian people, development and promotion of entrepreneurship were a central task in the last decade for the creation of jobs, competitiveness growth and for a sustainable development of the economic sector. Regardless of the method chosen to start a business, the entrepreneur must deal with criteria of rationality in terms of choices, decisions and performance evaluation.

In recent years, the Romanian ecosystem has been evolving mainly at its own pace. The picture of Romania's attractiveness in terms of entrepreneurial opportunities seems to be biased, partly due to the lack of the reliable data and partly to the insufficient power of the country's promotion projects. There are virtual platforms (e.g. Start-up Romania) as well as physical ones (e.g. events and hackathons) in the Romanian entrepreneurial ecosystem. However, these provide a limited and therefore slightly biased view of the ecosystem. Media focus on start-ups and entrepreneurship, while very important in communicating the success stories, further bias the overview, since only recent news is reported with a limited impact on the Romanian language audience. The most common website promoting entrepreneurship – Start-up.ro – is planning to launch an English language version soon.

According to a recent study of PwC Romania, over a half of the biggest entrepreneurial companies in Romania develop their activity in Muntenia region. According to the aggregated value of the turnover in top of the activity fields in the region are wholesale, retail, auto trade, food industry and agriculture. Prahova and Brasov counties are two of the most significant industrial centers in Romania, both related to production and to the number of Romanian entrepreneurs who were able to create businesses in this sector. While in Prahova entrepreneurs have focused on the oil industry as the county managed to attract investors like OMV Petrom and Lukoil, in Brasov County many of them became suppliers for large companies such as Continental. Last but not least, Covasna and Harghita counties are known for their businesses in the wood and furniture industry.

2. Methodology

For assessing the evolution of the entrepreneurship in Romanian the attention was focused on the evolution of four main indicators, covering, mostly the period 2008-2016. The source of all data used in the present paper is the Tempo Online Database of the National Institute of Statistics (NIS).

The analysis includes:

- The evolution of the number of firms/1000 inhabitants (only population in working age) for the 2008 – 2016 period, national and county level.

- The evolution of the number of firms/1000 inhabitants (only population in working age) for the 2008 – 2016 period, for micro, small, medium and large companies.
- The evolution of the number of SRL-D firms (started each year) for the 2013 – 2017, national and county level.
- The evolution of the unemployment for the 2008 – 2016 period, national and county level.
- The evolution of the population within working age for the 2008 - 2016 period.

3. Empirical results

The number of firms/1000 inhabitants had a "V" evolution during the analyzed period, with a 33.2 value as a low, recorded during 2011. Also noteworthy is the fact that the number of firms/1000 inhabitants (only population in working age) recorded in 2016 represents only 93.5% from the number of firms/1000 inhabitants recorded in 2008. Therefore, the effects of the global crisis and their magnitude is clearly visible.

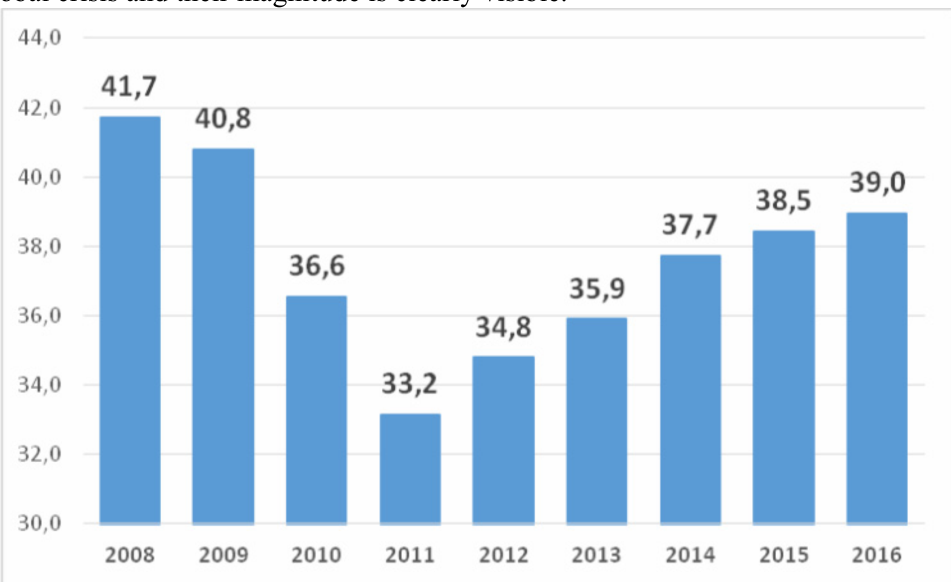

Fig. no. 1. Number of companies/1000 inhabitants
Source: NIS, 2016

In what the size of the companies is regarded notable is the fact that micro companies (between 0 and 9 employees) have suffered the greatest impact during the crisis their decrease being the greatest. The small (10-49 employees) companies and the medium ones (50-249) have recorded a visible increase during the bottom of the crisis followed by a decrease in the next 3 years. Alarming is the fact that the growth rate entered a negative trend for the last three years.

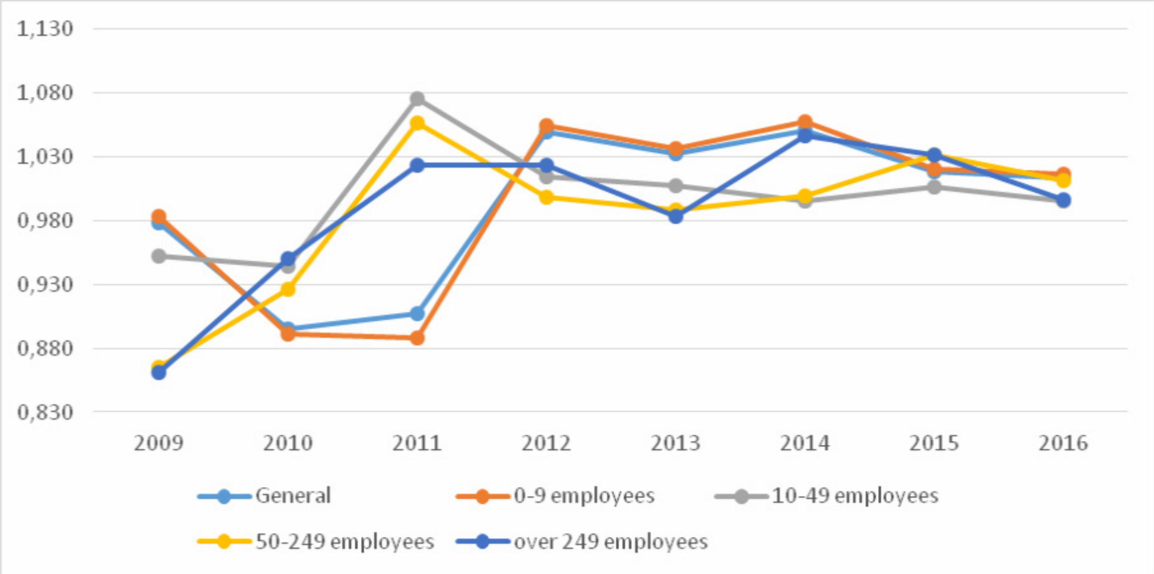

Fig. no. 2. Evolution indices for number of companies/1000 inhabitants (using the size of the company)
Source: NIS, 2016

The evolution of the working age population during the analyzed period does not record very high variability, the difference between the last year analyzed and the first year included in the analysis is of only about 1.4%. However, notable is the fact that the evolution does not have a clear trend being fluctuating.

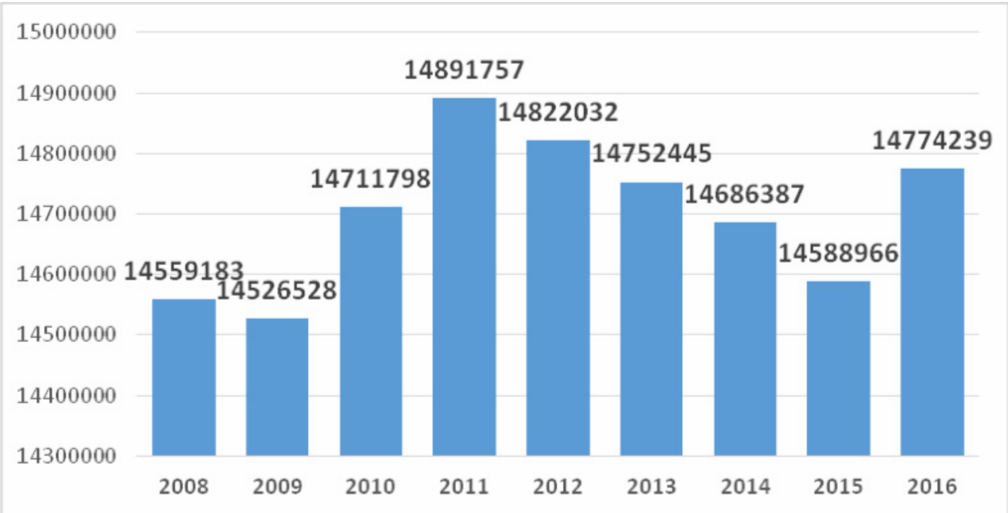

Fig. no. 3. Evolution of the population within working age
Source: NIS, 2016

The unemployment rate had a peak of almost 8% during the year 2009 when the impact of the global crisis was felt the hardest in Romania. Afterwards the trend is negative with an abrupt decrease until 2011 when the unemployment rate came close to 5%, followed by a smooth increasing trend. Noteworthy is the fact that during the last four analyzed years the unemployment entered again a decreasing trend, the unemployment closing down to 4.5% (still higher than the 4.4% recorded in 2008).

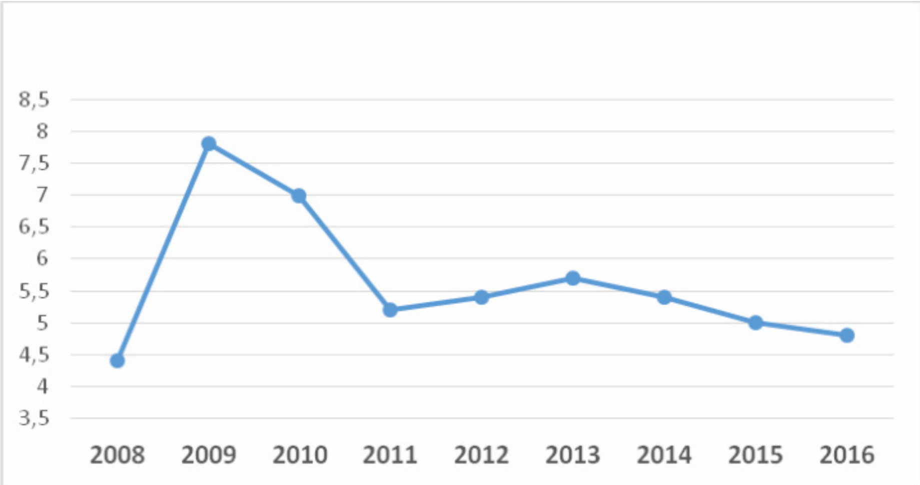

Fig. no. 4. Evolution of the unemployment rate

Source: NIS, 2016

The newly established companies (SRL-D, are companies started under a state scheme by entrepreneurs which are starting a company for the first time) might signal the risk aversion of Romanians and their desire to get involved in a more direct way into the economic gave. The peak was reached in 2013, when the program started and most of those thinking on embarking on this path “jumped” on the opportunity. The decrease that followed was abrupt and it almost halved the number of established SRL-D in 2014 and it was followed by an increase in the coming years. The economic increase that accelerated during the last two analyzed seems to be favoring employees and as a consequence it does not seem to be encouraging entrepreneurship through this governmental scheme.

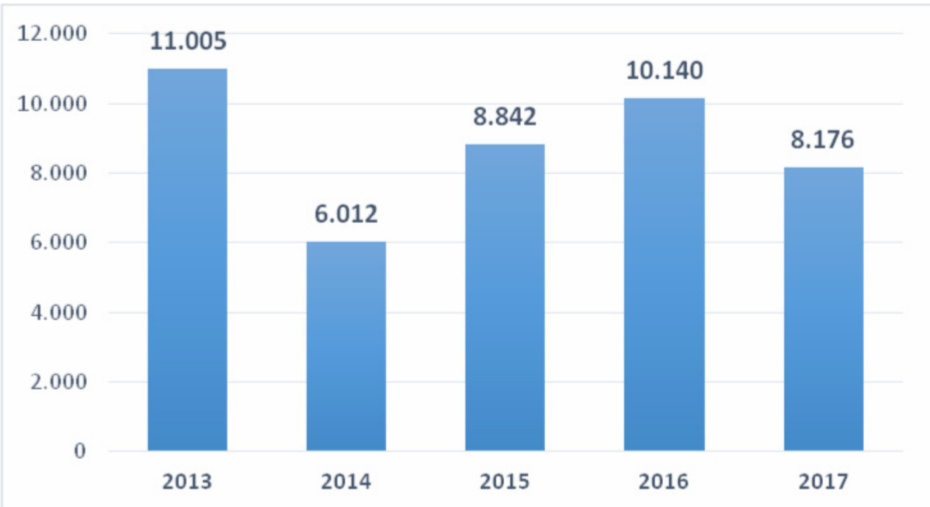

Fig. no. 5. The evolution of the new started SRL-D companies

Source: NIS, 2016

From a regional perspective (for the year 2016), in what the number of companies/1000 inhabitants in working age is regarded, the county level disparities are significant. The center-west area is the strongest, together with the area connecting Brasov-County and Bucharest.

Another area with higher values is Dobrogea (Tulcea and Constanta Counties). In terms of newly established SRL-D companies, the north-west area is the strongest concentration pole. Dolj County, Iasi County, Arges County and Bucharest are the other important spatial units with large concentration of new SRL-D. The south east and the east of the country are, as expected, regions with lower values, where entrepreneurship through this scheme was a less exploited opportunity. The same areas, namely south and east (of the country) are also leading in terms of unemployment. The west area, due to its proximity to the Hungarian boarder and as a consequence to the European highway system displays very low unemployment rates.

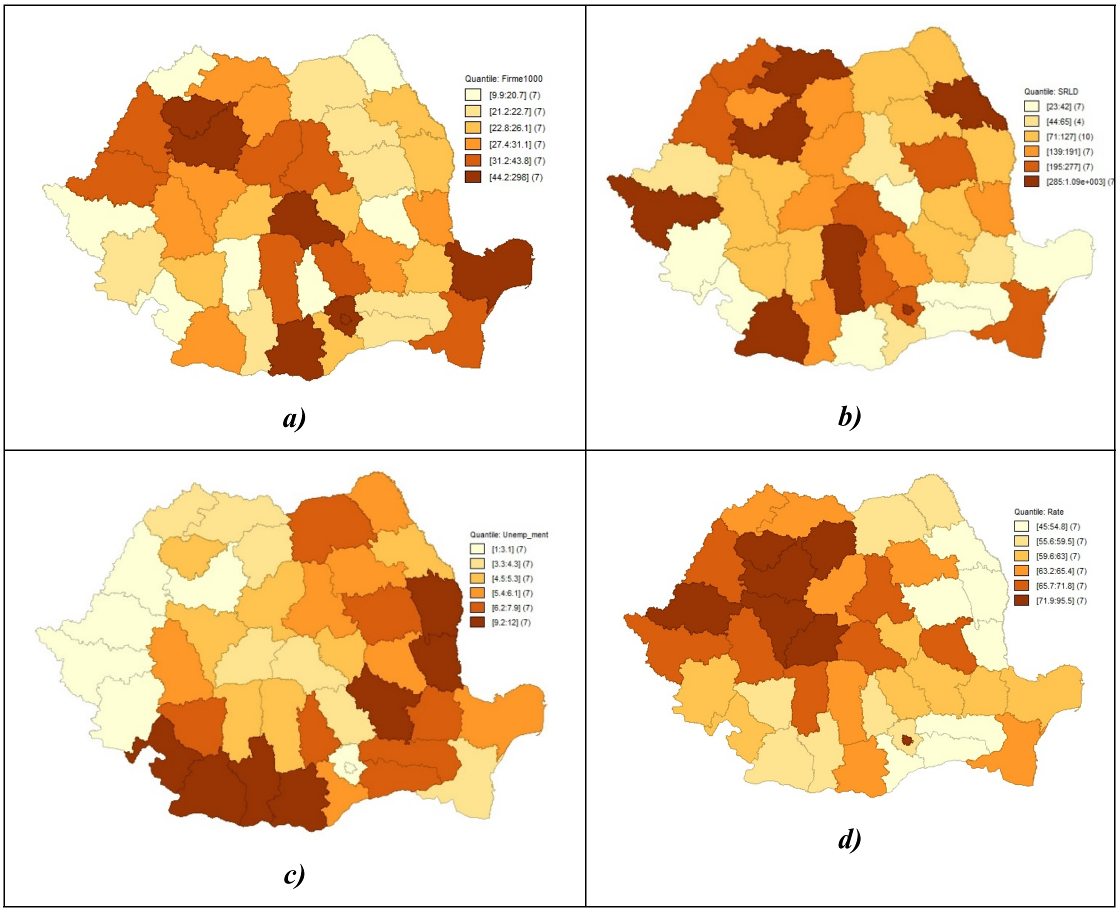

Figure no. 6. 2016 a) number of firms/1000 inhabitants, b) number of established SRL-D companies, c) unemployment rate and d) occupation rate of the labor resources

Source: NIS, 2016

The occupation rate of the labor resources displays a similar picture with the one presented by the unemployment. The central and the western areas have the highest exploitation rates while the east and south east regions are lagging.

Conclusions

At national level, the number of companies/1000 inhabitants in working age is recovering after the wall recorded due to the effects of the crisis but has still not reached the 2008, pre-crisis, levels. The same effect is recorded for the unemployment rate which is on a descending trend but has still not reached the 2008 level. Alarming is the fact that the

number of newly established SRL-D companies, a clear indicator of the entrepreneurship propensity is decreasing at the final part of the analyzed period.
As far as the regional perspective is regarded it is obvious that one can identify at least two large areas with two different development speeds. On one hand there are the west, North West and center areas where the high level of economic development is visible in all analyzed indicators, and on the other hand there are the lagging regions of south-east, south and east.

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