

THE PROFILE OF THE ROMANIAN ENTREPRENEUR FACING THE CHALLENGE OF START-UPS FINANCING

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Abstract

A distinct feature of developed economies is represented by the important role that entrepreneurship has, considered to be a central pillar of economic growth. The motivated entrepreneurs, prepared for change and risks, are setting up new job-creating firms. Technological progress is generating new businesses and also helps the development of existing ones, being an active instrument in adapting to changes of the market, acquiring new knowledge and generating productivity. Bearing in mind the restrictions that small businesses face when it comes to resources and their vulnerability to environmental change, a deep understanding of the factors and mechanisms that explain the development of small businesses is a key issue for business owners and the economy. That is why there has been an increasing interest in identifying the main sources of start-up financing in Romania.

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1. Introduction

Along with technological change and the intensification of global competition brought about by globalization and economic liberalization, the

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assumption to encourage entrepreneurship for creating a country's competitiveness today, seems more valid than ever.

Entrepreneurship is more than a mechanical economic factor (Pirich, 2001). Entrepreneurship stimulates productivity growth and also economic competitiveness, combining two vital factors, in a world economy that is more and more globalizes: the power of changing and innovation process.

Today, entrepreneurship is no longer an abstract concept, because there is growing demand and interest in placing "entrepreneurship" (the creation of new businesses) as a key element in the process of developing and revitalizing less developed areas in Europe. Moreover, the increase in awareness of the importance of newly created enterprises and small and medium-sized enterprises (SMEs) in economic development over the last decade has led many public administrations, made up of members of all political parties and at all levels, to create policies that favor and stimulate the creation of new businesses.

The SME sector becomes today the most active sector of the economy and, at the same time, a formidable innovative system. The vital contribution made by SMEs to economic growth is a unanimous reality. Addressing their beneficial economic and social effects has led to the SME sector being considered as an area of strategic interest to the economy. (Avasilicai, 2009)

2. About Entrepreneurs and Entrepreneurship in Romania

Among the economists who have made a significant contribution to the theories of entrepreneurship, Schumpeter, does not consider the entrepreneur to be the director of intercourse. It focuses on innovation and the combination of resources, considering that the entrepreneur must be strong enough to swim against the current society. What distinguishes Schumpeter from his ancestors is the notion that it is not necessary for the entrepreneur to possess wealth, with the emphasis on innovation. The author, taking into account the organization's ability to support itself, makes a difference between the entrepreneur and management and between entrepreneurship and management functions. (Marza, B., Serbu, R., Stoica, E., Todericiu, R., 2012)

As far as the entrepreneur is concerned, some definitions are given below:

- The entrepreneur is the person who identifies the opportunity of a business, assumes responsibility for initiating it and obtains the resources needed to start the business.
- The entrepreneur is the person who takes the risks of running a business.

- The entrepreneur is the one who manages the resources needed to operate a business based on innovation.
- The entrepreneur is an authorized natural person or a legal person who, individually or in association with other authorized natural persons or with legal persons, organizes a commercial company for carrying out deeds and trade acts for the purpose of obtaining profit through the realization of material goods, respectively services, from their sale on the market under competitive conditions. (Law 133/1999)

Thus, the entrepreneur is a person who initiates and carries out a set of activities, characterized by risk and innovation, in order to obtain material and personal satisfaction. (Cordos, Bacali, L. and others, 2008)

Due to the fact that, along with the other countries in the region, Romania joined the transition to a market economy, as well as on the path to integration into the European Union, legislative norms were developed to adapt the Romanian legislation to the European requirements.

Regarding the SME sector, the main law currently governing measures to increase the favorable framework for the establishment and development of these enterprises is Law no. 346 of July 14, 2004. According to the company, the enterprise is any form of organizing an economic, autonomous patrimonial and licensed activity, according to the legislation in force, to do business acts and deeds in order to obtain profit under competitive conditions. Businesses may be: commercial societies, cooperative societies, independent individuals and family associations, all authorized under the laws in force. (Nicolescu O., 2001)

3. Business Financing - risks and challenges for start-ups success

For small companies or at the beginning of a road that can not convince a financial institution to grant them, there is also the option to operate on shareholders' money (theoretically free financing) or "supplier credit" (delays in paying bills - in 10 years, the average bill payment period doubled from an average of approximately 60 days to 120 days).

The main funding options available for Romanian companies include: own funds (reinvestment of profit and capital increase), borrowed funds (from shareholders and financial institutions) and non-reimbursable funds. Depending on the size of the company, but also on other factors, such as the purpose of financing, the level of financing, the available guarantees, the degree of company development or the level of financial management of the management team, one or more of these sources.

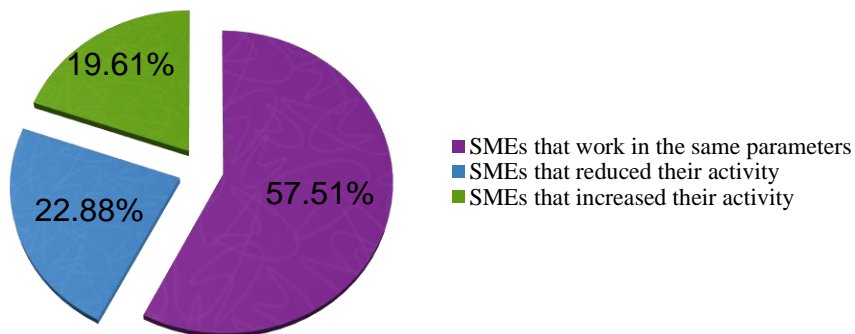
3.1 The White Paper of SMEs for 2017

According to the White Paper of SMEs report no. XV/2017 - using a sample of the 827 Entrepreneurs at National Level, for stimulation of funding it is necessary to follow a few steps, as shown below:

- Diversification and Enhancement of Guarantee and Counter-Guarantee Services
- Improvement of State-Owned Banking Policies
- Providing seed capital
- Providing micro-grants and micro-credits
- Providing micro-grants and micro-credits
- Providing risk capital
- Measuring medium and long-term financing for the co-financing of green products
- Removal of all additional declarative obligations
- Centralization of data on products offered by commercial banks (DAEs, ceilings, eligibility requirements, etc.) on a public portal
- Establishing and promoting, according to the European practice, the credit mediator for SMEs.

According to the White Paper, 57,51% of the SMEs investigated are working in the same parameters as they did one year ago, and only 19,61% have increased their activity, as it is shown in the figure below.

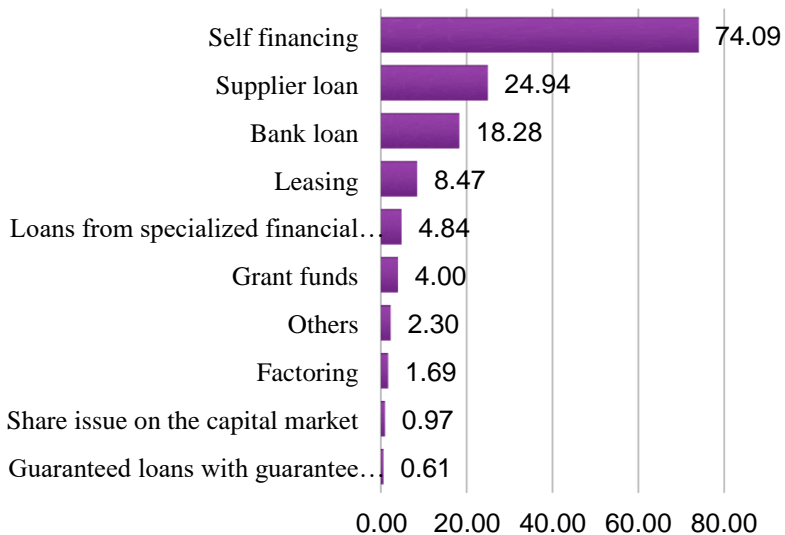
Figure 1. Dynamics of SME activity investigated between October 2015 and March 2017



Source: White Paper of SMEs report no. XV/2017, <http://cniipmmr.ro/wp-content/uploads/2017/07/PPT-CA-2017v3.pdf>

Regarding the classification of Romanian SMEs investigated by the White Paper authors, the structure of firms related to the financing methods of economic activities, the results are showing that more than half of the SMEs are self-financing, (74,09%), 24,94% are choosing suppliers loans, and 18,28% bank loan. Leasing and grant funds represent together, only 12,47% of the desired financing sources.

Figure 2. SMEs structure by the methods of financing economic activities



Source: White Paper of SMEs report no. XV/2017, <http://cniptmmr.ro/wp-content/uploads/2017/07/PPT-CA-2017v3.pdf>

3.2 The Start Up Nation Program

The Start Up Nation program has been created for those who want to become entrepreneurs, to support them, to create new jobs, the employment of disadvantaged people, the unemployed and graduates, as well as to increase investments in new, innovative technologies.

Under Romania Start-Up Nation 2017, the budget allocated to the de scheme for the budget year 2017, approved by Law no. 6/2017 of the State Budget for 2017 is 1,713,798,000 lei. The estimated budget of the de scheme for the years 2018, 2019 and 2020 is 2,000,000,000 lei / year.

According to Mr. Ilan Laufer, Minister for Business, Commerce and Entrepreneurship, at present, 10,000 files have been verified by the 8 territorial agencies.

- There have been signed 8,444 grant agreements
- Transilvania Bank approved 1,342 bridge credits
- BCR - 1,214 bridge credits
- CEC Bank - 678 deck credits
- A total of 3,234 approved bridge credits
- Transilvania Bank sent 1,184 files to FNGCIMM and 511 were approved
- BCR Bank submitted 771 files, 317 were approved
- CEC Bank has sent 718 files and 136 have been approved
- BCR Bank has 443 files in the analysis, BT has 147 files, and CEC Bank has 219 files in the analysis

Implementation of the program is expected to provide aid to a maximum of 10,000 beneficiaries per year. Through the Start-Up Nation program, the state offers a non-repayable grant of up to 200,000 lei to those who started a business in 2017. They must not have state debts and create at least one job for the next two years. Also, the shareholder / associates should not have had other companies.

Eligible expenditure is for equipment, workspace, cars (partly up to 36,000 lei), IT licenses, space rents, entrepreneurial courses and company site development and consultancy, both within the limit of 8,000 lei. Salaries are also offset by the state, within the minimum wage limit.

4. Conclusion

In general, managers do not have the necessary training to deal with the many problems they face. In small and medium businesses, owners typically designate a person to be a manager, avoiding the creation of a team of managers. This means that the manager has to take a wide variety of decisions involving multiple knowledge, which highlights the inconsistency between the complexity of the problems he has to solve and the professional training he has.

Lack of financial resources, which limits the possibilities of these companies to purchase new machinery, proper maintenance, hiring qualified personnel and motivating them to work, conducting marketing studies, represent, according to many specialists, a common cause leading to the bankruptcy of small and medium-sized enterprises is the insufficiency of financial resources.

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