

Training Future Entrepreneurs Using European Funds. A Descriptive Research on Start-Up Romania Programs

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Abstract

This paper focuses on the mutual relationship among the concepts of entrepreneurship, training personnel and business start-up and development. From our point of view, Romania shall encourage as much as possible entrepreneurship so as to create SMEs, the most flexible and numerous in number in the Romanian total number of companies. Hence, the main objective of this paper is to highlight the importance of accessing European funds in increasing the number of Romanians properly trained so as to become successful entrepreneurs and to manage successful businesses. At the same time, another main objective is to present the need of entrepreneurship training and support in business start-up and development by using the descriptive method of research.

Key words: entrepreneurship, European funds, Romania, business start-up and development

J.E.L. classification: L26, M13, M53

1. Introduction

The entrepreneur is the one assuming the creation of companies, taking advantage of gaps in the market, using the results of research (actually R&D are its as competitive advantage) and having action capacity (Gamez Gutierrez and Garzon Baquero, 2016, p.20). But in using European funds to create and develop businesses, it is difficult to identify who the real entrepreneurs, beneficiaries from funding will be. Hence, this paper aims at determining the Romanian population groups which should be targeted for becoming entrepreneurs, in the respect of starting and developing a new independent business by using European funds. Our major motivation in researching this topic is that small and middle-sized companies (SMEs) offer Romanians a good opportunity of personal development and financial freedom whereas working for themselves means increased motivation, much seriousness and doing what they like or are prepared for.

Thus, this paper is divided into 3 parts: the first one presents the current situation with regard to entrepreneurship with the help of a descriptive piece of research, the second part discusses the challenges offered to Romanian entrepreneurs and the third offers a model to be used by companies who want to access European funds in order to train people in the field of entrepreneurship and to support them in starting up and developing their own. In the end, the conclusions and recommendations of this paper are presented.

2. Romanian entrepreneurship in statistical data

Currently, the Romanian number of companies has reached approximately 650,000 legal persons of which almost 200,000 have zero turnover, according to the Romanian Trade Register Office (RTRO). Thus, after having studied the evolution of Romanian companies starting with 1990 to the end of the 2015, we underline that: a. approximately 18 billion operations, company

registrations and modifications have been recorded with RTRO; b. 2.66 million companies have been registered, this meaning a yearly average of 106,400 companies/year. The Romanian areas first ranked with regard to the number of companies registered are Bucharest (17.00%), Cluj-Napoca (4.37%) and Timiș (3.44%); c. 1.17 million companies have disappeared as a result of the financial crisis, the most represented area being Bucharest with 205,089 legal persons which ceased activity; d. only 2,705 Romanian trading companies have majoritarian state capital, 8,669 companies have mix capital (state and private capital) whereas the rest of the companies are entirely private, being the main contributor to the Romanian budget and economy.

If we are to compare Romania to the other European countries, our country, in 2015, ranked the last of EU28 for the number of SMEs/1,000 inhabitants, having 21.3 SMEs/1,000 inhabitants, according to the data offered by Eurostat. The European average is of 42.7 SMEs/1,000 inhabitants, the firstly ranked being the Czech Republic with 95.9 SMEs/1,000 inhabitants, Portugal with 73.5 SMEs/1,000 inhabitants and Malta with 73 SMEs/1,000 inhabitants. This rate has not even been positively influenced by the absorption of European funds for economic competitiveness in the period 2007-2013, even if the Romanian government took measures to eliminate the obligation for SMEs to ensure their own contribution in the projects (Zaman and Cristea, 2011, p. 76)

Table no. 1. Romanian evolution in numbers of legal persons

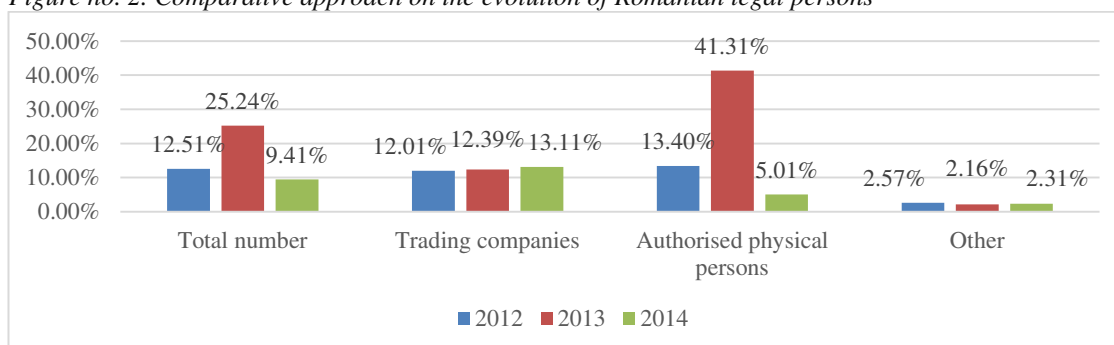
Type of companies	2012	2013	2014
Trading companies	467,512	472,722	475,482
- of which, newly created	56,169	58,570	62,336
Authorized physical persons	322,142	384,809	391,346
- of which, newly created	43,173	158,951	19,616
Other	4,860	4,671	4,436
- of which, newly created	125	101	99
TOTAL	794,514	862,202	871,264
- of which, with 0 employees	386,635	118,416	474,905
- of which, with 1-4 employees	288,359	624,256	281,768
- of which, with 5-9 employees	60,787	61,485	57,310
- of which, with over 10 employees	58,733	58,045	57,281

Source: www.insse.ro

According to the insolvency rate reported by the number of active companies in the Central and Eastern Europe, Romania ranked the second with 6.44%, after Serbia with 7.61%. Our country generated 40% of the total insolvencies opened in 2013 in Central and Eastern Europe, according to a survey conducted by Coface. Hence, we herein present in Table 1 the evolution in the number of companies in Romania for the period 2012-2014. We observe that this indicator increased by 9.66% in the reference interval, there existing relevant differences with regard to types of companies and number of employees.

There are in Romania two major categories of companies, trading companies (54.57% in the total number of companies, of which 13.11% are new) and authorized physical persons (44.92% in the total number, of which 5.01% are new). The evolution of newly created companies is ascendant, but slow, as presented in Figure 2. We remark that the number of other legal forms is slowly decreasing, whereas the number of authorized physical persons tripled in 2013. Of them, 13.15% have more than 5 employees, so the number of entrepreneurs is statistically increasing.

Figure no. 2. Comparative approach on the evolution of Romanian legal persons



Source: www.insse.ro

In this respect, we may underline that entrepreneurship still creates a confusing image within Romanians, entrepreneurial education being mostly weak, being made by teachers which no experience as entrepreneurs and due to the poor ratio between research, knowledge, industry and education (Vilcov and Dimitrescu, 2014, p. 175). Moreover mass-media creates a negative image to local entrepreneurship by broadcasting a lot of negative cases subjected to economic fraud. But, as Romanians want to escape poverty, the number of people interested in starting their own business is getting higher. Moreover, research showed that the most important motivation is avoiding unemployment (Brancu, Munteanu and Gligor, 2012, p. 227).

3. Start-Up as a New Romanian Entrepreneur or as a New Romanian Business?

In Romania, the government has managed to stimulate entrepreneurs, mostly the young ones. The programme funding micro-enterprises start-up and development was launched in 2011 and has offered non-reimbursable funding of maximum Euro 10,000 to people who want to start their new business. Apart from non-reimbursement funding with different percentages, there are also other benefits offered, such as guarantees given by the National Fund for Loan Guarantees for SMEs for those companies which contracted credits in order to develop business plans previously accepted by the Ministry of Economy. Such guarantees cover maximum 80% of the credit value demanded within the limit of Euro 80,000, payment exemption of social insurance owed by employers for the wages given to maximum 4 employees hired for an undetermined period of time as well as payment exemption of taxes with company registrations with Romanian Trade Registers for micro-enterprises as well as of publishing fees with the Official Journal of Romania.

Furthermore, the Romanian Government approved in April 2014 an Emergency Order which eliminated the age condition, offering the benefits to all the people interested, not only to people under 35 years old, but such benefits were given for the first company created. As a result, our Government decided to transform this order into a law, no. 97 of 2014, highlighting the importance of entrepreneurship programs in our country.

Hence, in 2015, the first Romania Start-Up Plus entrepreneurship programmes started within the Sectoral Operational Programme for Human Resources Development (OPHRD), which are to be continued by the Human Capital Operational Programme (HCOP) for the 2014-2020 period. This is one solid motivation of ours to study Romanian entrepreneurship so as to further research their implementation in time. In the present, such funding addresses all the Romanian citizens whether residing our country or not, but who are interested in starting their own business. The definite conditions are that such persons should not be the major shareholders in other existing companies whereas their residence should be in the urban areas. All the beneficiaries have to participate in entrepreneurship training and in business plans competitions, the winning businesses start-up and development receiving maximum Euro 40,000 as funding and an 18-month support for evolving it.

4. Targeted Population for Romania Start-up Programme

From our point of view, the most important issue in using European HCOP funds to increase entrepreneurship in Romania is shaping the target population. We consider that the recommendations given in the Applicant's Guidelines seem a little confusing. We herein after present a proposal of the population to be included in the target-group by using as a descriptive research on the Central Development Region of Romania (CDR). This region consists of six Romanian countries: Alba, Braşov, Covasna, Harghita, Mureş and Sibiu. According to the data collected by the Romanian National Institute of Statistics and to the specific stipulations of Romania Start-up PLUS, the targeted population who may benefit from funding for starting up and developing a business is represented by physical persons who:

- reside in the urban area of the CDR (the area where to implement the project)
- intend to start up a business with non-agricultural activity
- intend to improve their entrepreneurship skills by participating to adult vocational training in this field
- may be grouped in separate categories according to their status on the labour market so as to benefit from financial funding in the project.

But, before proposing the division of the target-population into categories, we shall present the labour resources in the CDR and consisting counties. These resources are defined as people who are physically and intellectually capable of performing work useful in one of the fields of the national economy and consist of the population properly aged to work who are able to work and people below and over the work age who still work, presented in Table 1. In the CDR, there are 11.86% of Romania's total labour resources of 12,481.1 thousand people whereas within the analysed region, Braşov represents 24.08%, Mureş 23.95% and Sibiu 17.14%. We highlight that there is a great disparity among counties, these 3 counties representing 65.17% in the CDR labour resources.

Moreover, the civil active population in the CDR represents 12.27% of total Romanian civil active population and 72.76% of the employment resources of this region, a higher value than that registered for the whole Romania (of 70.32%). We observe that the counties with the highest rates of civil active population in employment resources are Alba, Sibiu and Braşov which totalise 57.17% of CDR total active population. Civil active population consists of the civil employed population and the registered unemployed, also presented in Table 3.

For CDR, the civil employed population is of 1,026.6 thousand people, meaning 12.31% of total Romanian civil employed population. More precisely, it represents 69.4% in total employment resources and 95.33% of total civil active population, value little higher than that registered for the whole Romania (of 95.03%). Hence, the unemployed number in the CDR is of 11.50% of total unemployment in Romania, Mureş county representing the highest percentage of 22.51% in the region. But the major concerns shall be in Alba, Covasna and Harghita counties, where the registered unemployed reach high values in the total employment resources: 4.52% for Alba and 3.87% for Covasna and Harghita each.

Table no. 3. Employment resources in Romania and CDR, in 2015, thousand people

Analysed Area	Employment Resources	Civil active Population	Civil employed population	Labour Resources Employment Rate	Registered unemployed
RO	12,481.1	8,776.8	8,340.6	66.8%	436.4
CDR	1,480.0	1,076.9	1,026.6	69.4%	50.2
Alba	205.8	168.6	159.2	77.4%	9.3
Braşov	356.4	253.3	243.6	68.4%	9.7
Covasna	129.3	88.3	83.2	64.3%	5.0
Harghita	193.7	136.0	128.5	66.3%	7.5
Mureş	341.1	236.9	225.5	66.1%	11.3
Sibiu	253.7	193.8	186.6	73.6%	7.1

Source: www.insse.ro

Furthermore, based on the data previously analysed, the groups of population formed according to their status on the labour market who may benefit from European funding for starting up and developing a business are:

a. *civil employed population*: people of 16 years and over who undertook an economic activity producing goods or services for at least 1 week so as to have income as wages, payment in truck or other benefits. This group consists of four categories of population: the employed, owners, self-employed and unpaid family workers (presented at national level in Table 4). According to the data collected, the employed represent 30.51% of Romania's total population (of 19,870,647 people) whereas owners 0.48%, self-employed 7.85% and unpaid family workers 4.11%.

Table no. 4. Civil active employed population in Romania, 2015

Group ages	Employed population			
	Employees	Owners	Self-employed	Unpaid family workers
15-24 years	300,523	1,167	69,072	165,303
25-34 years	1,626,344	15,123	243,204	175,765
35-49 years	2,871,402	54,645	583,758	220,117
50-64 years	1,251,887	24,100	461,187	171,203
65+ years	12,087	967	203,338	84,192
TOTAL	6,062,244	96,002	1,560,559	816,580

Source: www.insse.ro

In total, there are 8,535,385 people, of which there are some categories difficult to statistically estimate as numbers so as to benefit from Romania Start-up, such as owners having more than 49% shares in a company (who may be excluded from funding). Another two categories difficult to statistically estimate are the number of students who have a job (who may be included in the target-population) and the number of students who have their own business with more than 49% shares in the company (who shall be excluded as well).

b. unemployed active population: the registered unemployed (presented in Table 3 at the level of CDR and the constitutive countries). We highlight that the unemployed represent 3.39% of total CDR employment resources, the highest number of the unemployed in total employment resources being in the county of Alba (4.51%). Moreover, there is also a category of people who are unemployed, but they are not registered with the Unemployment Bureau, whose number is also unknown.

Table no. 5. Romanian inactive population, according to gender, in 2015

Gender	Age groups					TOTAL
	16-24 years	25-34 years	35-49 years	50-64 years	65+ years	
TOTAL	1,318,305	507,717	710,473	1,823,368	3,087,925	7,447,788
- males	615,861	124,272	160,941	672,581	1,220,875	2,794,530
- females	702,444	383,444	549,533	1,15,786	976,879	3,763,086

Source: www.insse.ro

c. unemployed inactive population: presented in Table 6 below, consists of students with all educational levels but with legal work age (we underline that data regarding the number of students with a job or owning a business is unknown, them being assimilated to the employed or to students, not forming a distinctive category), the retired (another difficult issue is to estimate the number of retired people who are still employed or owning a company – sometimes, there are people belonging to both categories), housekeepers and people supported by other people/national government or who live from other revenues than wages or social insurance (data on this categories seem to be unavailable, too). According to the data provided by NRIS, the inactive civil population aged over 16 years represents 37.48% of total population.

Table no. 6. Romanian inactive unemployed population, according to their education and training, in 2015

Gender	Age groups					TOTAL
	16-24 years	25-34 years	35-49 years	50-64 years	65+ years	
TOTAL	571,942	248,040	319,136	677,308	614,369	2,430,795
- university graduates	29,729	51,876	32,420	106,822	178,294	399,141
- specialty postsecondary or technical graduates	3,985	9,579	6,658	78,667	106,771	205,660
- high school graduates	538,228	186,585	280,058	491,819	329,304	1,825,994

Source: www.insse.ro

Moreover, it is necessarily to take into account as target population for Start-up programmes people discouraged in finding a job. They are part of inactive unemployed population, so we consider them vulnerable on the labour market. This group of population (presented in Table 7 below) consists of inactive people available to work in the following two weeks after being interviewed who declared that in the last four weeks had passively been searching for a job or they had not searched for a job because of the following reasons: they considered there were no available jobs or they would not find a job because of their age, they did not know where to search or they had previously searched for a job and they could not find one or they did not feel professionally properly trained.

Table no. 7. Romanian people discouraged in finding job, in 2015

Gender	Age groups					TOTAL
	15-24 years	25-34 years	35-49 years	50-64 years	65+ years	
TOTAL	38,061	50,801	70,086	28,143	67	187,158
- males	23,237	27,130	30,107	16,818	0	97,291
- females	14,824	23,671	39,978	11,326	67	89,866

Source: www.insse.ro

To conclude, people who want to start a business may belong to different categories of population, the major constraint identified being the legal minimum labour age of 16 (with parents' consent) or 18 years old. We consider that entrepreneurship in Romania should address everybody.

Romania start-up programmes should specify more clearly who they offer benefits to: a new entrepreneur (meaning a person who has never had a business) or a new business (started by any physical person whether it has another business or not). If such distinction is not properly made, companies who access European funds will start presenting funding and addressing people who in the end will prove unsuitable for the entrepreneurship funding. The two main consequences of such actions shall be higher costs generated with unsuitable candidates and an image crisis for European funding.

In addition, the key to success factors in accessing European funds (lessons learnt from the 2007-2012 period) seemed to be according to research in the field (Zai and Inceu, 2015, p. 1584) the compliance with the provisions of the guide for applicants, the clearly definition of needs or project ideas within the project and the compliance with the national and European laws in force whereas the major constraints were the excessive bureaucracy, poorly skilled human resources and the lack of financial resources. From our point of view, the Start Up Plus programme lacks in defining the target population but exceeds in training people so as to succeed in running their own business.

4. Conclusions

In general, Romanians present a positive attitude towards entrepreneurship and availability of doing business. Thus, a high number of Romanians declare that they do want to start a business, but most of them would choose entrepreneurship as a second occupation, for additional income.

As SMEs are supported with European funds so as to start-up and develop, we consider that people who want to start a new business shall benefit from proper training in entrepreneurship and support based on good practices. Accordingly, the entrepreneurs of new SMEs shall become conscious that doing proper business means using considerable knowledge, so the better they learn from their trainers and mentors, the higher their rate of success is. But it means that Romania must increase knowledge transfer, and there comes the motivation both for future entrepreneurs and mentors. By being optimistic, avoiding uncertainty and being experienced in taking risks, people will have financial independence in a business of their own and thus, they shall run it successfully. Therefore, the absorption of funds during 2014-2020 will show if Romania has managed to clearly identify needs and priorities of strategic guidelines addressing thematic objectives (Lucian, 2014, p. 555).

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