

An Overview on the Entrepreneurship in Constanta County during the COVID-19 Pandemic

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Abstract

The Romanian entrepreneurship faced multiple challenges amid the current economic situation generated by the COVID 19 pandemic. This paper aims to determine how the local entrepreneurs from the Constanta County have managed to cope with this new context. The local entrepreneurship's evolution was analysed based on the data provided by different specialized studies and by the official statistics. The increased number of newly registered entities in 2021 compared to 2020 (first year of the pandemic) leads to the conclusion that local entrepreneurs have not lost their business appetite and managed to adapt to this new specific business environment.

Key words: local entrepreneurship, pandemic, Constanta County

J.E.L. classification: M10, M13

1. Introduction

The entrepreneurial activities in Romania have rapidly developed over the years which preceded the COVID-19 pandemic. The Romanian Entrepreneurship Barometer (2015) indicated that 99,6% of the active companies in our country were small and medium size enterprises (SMEs). They hand an important contribution to the national GDP creation.

It also well known that in all economies the entrepreneurship plays a major role in the development process through jobs and welfare creation.

Since the beginning of pandemic in our country (in February 2020) over 1.79 million cases have been registered. Our country faced a total lockdown between march and may 2020 and since then placed in a state of alert. Along with the specific issues concerning the public health system, the pandemic generated numerous economic challenges.

This paper intends to analyse the evolution of the Romanian entrepreneurship during the pandemic period, especially the one located in Constanta County based on the information provided by the official institutions. The introductory section it is followed by a presentation of the current state of entrepreneurship in our country, using the information provided by different specialised studies. Then the research methodology is discussed in the next part of this paper. The next section is reserved for data analysis and interpretation.

2. Theoretical background - State of Romanian Entrepreneurship

The rapid development of entrepreneurial activities in Romania during the previous years of COVID-19 pandemic is demonstrated by the number of active SME's that increased in 2019 compared to 2018 at 581.080 units from 566.208 units (www.insse.ro).

This evolution was noticed by various researchers that have approached the subject (Marine,2018, Moldovan,2015). They underlined the support offered by the Romanian authorities to the entrepreneurial environment, through the specific legislative framework. At the same time the entrepreneurs' opinions reflected continuous challenges to effective implementation.

One of the most important issues related with the entrepreneurial activity that was revealed in different specialized studies was the access to finance (Romanian Entrepreneurship Barometer, 2013, 2015). This situation was approached also by other studies that revealed an opposite position. Thus, the World Bank Doing Business Report, ranks Romania in the 7th place for ease of obtaining credit (Specific Support to Romania – Starts-ups, Scale-ups and Entrepreneurship in Romania, 2017).

Excessive taxation was identified as an important obstacle in the process of starting a business by the Romanian entrepreneurs (Prelipcean et. al., 2021).

Another study pointed out that the Romanian entrepreneurs are the more advanced in the use of digital technologies among the countries in Central and Eastern Europe (PwC Central and Eastern Europe Private Business Survey, 2019).

In the past two years, local entrepreneurship faced many challenges in the context of pandemic. These challenges have been approached in different studies. The most important issues were considered in 2020: the uncertainties of future developments, the declining of domestic demand, temporary suspension of activity due to the evolution of COVID-19 pandemic (White Charter of Romanian SMEs – 18th Edition, 2020). The same study (White Charter of Romanian SMEs – 19th Edition) identified in 2021 that almost 68% of the interviewed entrepreneurs considered the pandemic as the main threat for their activity.

Another study has indicated that the pandemic remains one of the most important threats against the companies activities (<https://www.bdo.ro/ro-ro/resurse/rethink-insights/1-an-de-pandemie-covid-19-impactul-asupra-firmelor-romanesti>). At the same time the participants in this study revealed that in their opinion the teleworking system was a success factor during this period. They also have considered that digitization and process improvement were ones of the strong points for their businesses.

All the above-mentioned studies indicated the Romanian entrepreneurship has rapidly evolved in the past decade. For the last two years, local entrepreneurs have faced the challenges of COVID-19 pandemic. The results of these studies seem to indicate that the entrepreneurs have managed to cope in general with those challenges.

In order to analyse the evolution of domestic entrepreneurship during this period in the next sections we aim to take a closer look to data concerning the entrepreneurial activity in Constanta County.

3. Research methodology

The main objective of this paper is to investigate the evolution of the entrepreneurial activity in Constanta County As a mean to achieve this objective we choose the descriptive analysis based on the official data provided by the National Trade Registry Office of Romania (NTRO).

The information processed concerns the evolution of incorporations of natural and legal persons, suspensions, dissolutions. We decide to include in our analysis the years 2019, 2020, 2021 in order to obtain a better image on the subject approached.

4. Findings

The entrepreneurial activity in Constanta County has developed in the considered period, between 2019-20221. As a proof, the evolution of the SME’s number is presented in the table no.1.

Table no.1 The number of SME’s in Constanta County (2019-2020)

Number of employees	2019	2020
0-9 persons	20862	22139
10-49 persons	2073	1972
50-249 persons	316	276

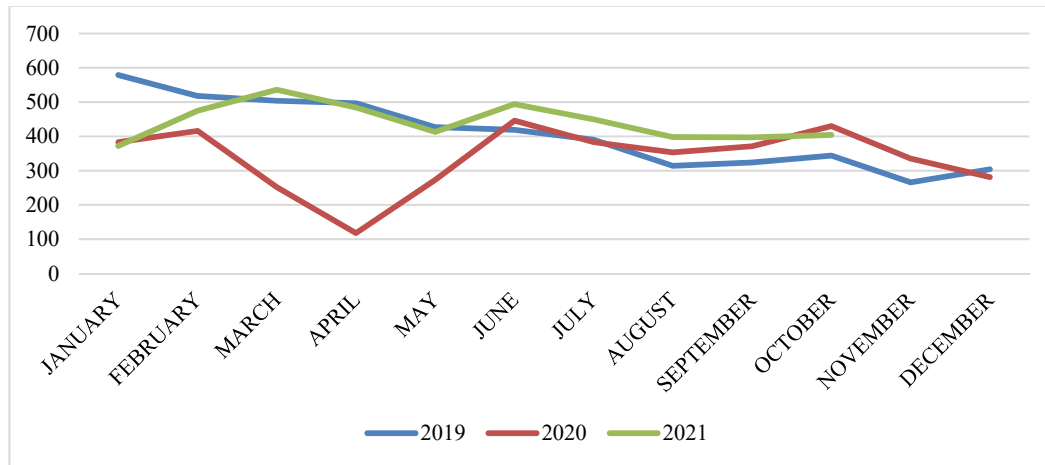
Source: www.innse.ro

The data in the table indicate that the number of micro enterprises has raised in 2020 compared to 2019. The number of small and medium enterprises has decreased in 2020.

This situation can easily be explained by the fact that the micro enterprises are the most widespread category of companies. At the same time, they tend to be more flexible and adaptive to the new context. Meanwhile, the larger companies encountered difficulties in adapting to new conditions.

The data provided by the NTRO concerning the incorporations of natural and legal persons between the 2019 and 2021 was analysed and the results are presented in the figure no.1.

Figure no. 1. Incorporations of natural and legal persons (2019 -2021)



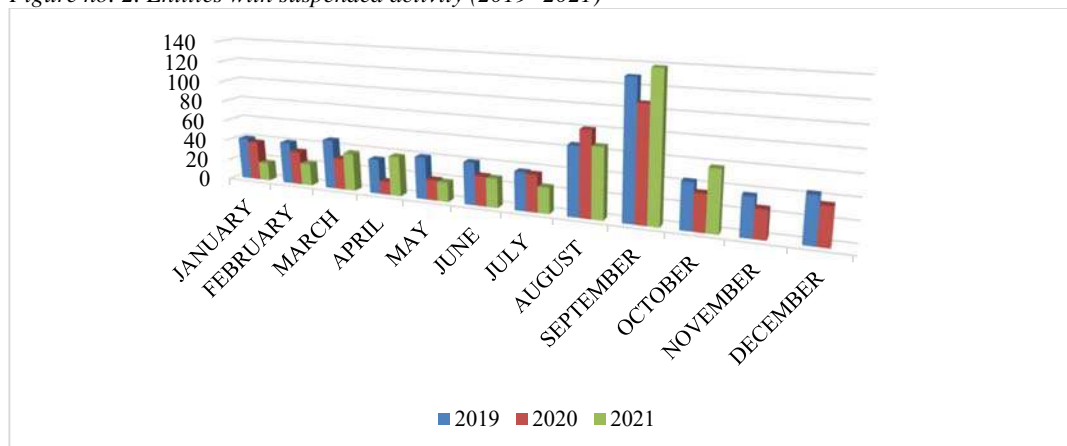
Source: data processing from <https://www.onrc.ro/index.php/ro/statistici>

The data in the figure indicate that the evolution of the incorporation of natural and legal persons in the considered period has maintained a similar trend. The exception was the period march-april 2020 when our country was in lockdown due the pandemic situation. Many entrepreneurs have postponed the decision to start a business.

Overall, we can acknowledge that in some months the number of the incorporation in 2020 and 2021 was superior to the one in 2019. Therefore, we can assume the local entrepreneurs have not lost their business appetite, despite the pandemic conditions.

Results concerning the number of entities that have suspended their activities during the considered period, are presented in figure no.2.

Figure no. 2. Entities with suspended activity (2019 -2021)



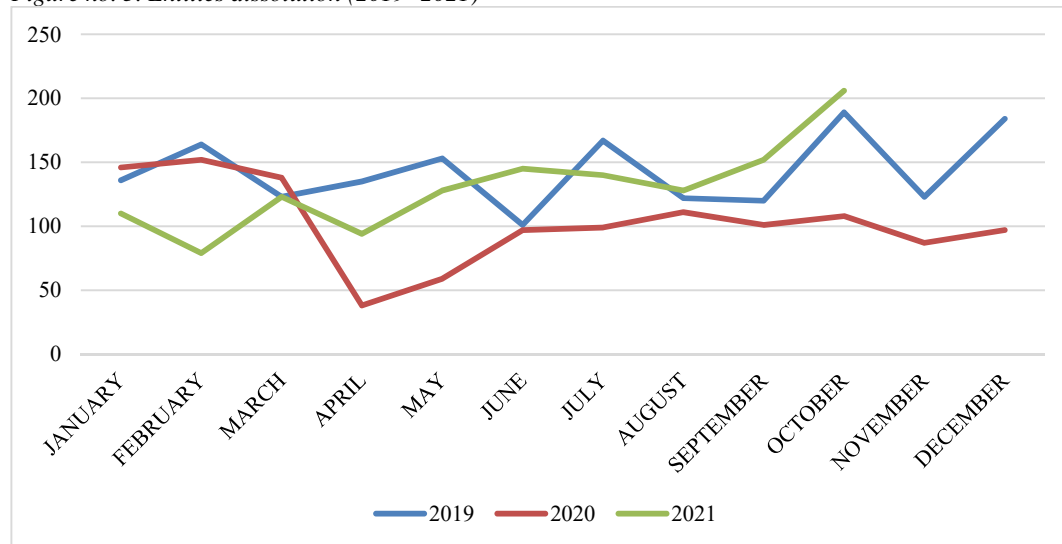
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We can notice from the figure that the number of suspended entities was lower in 2020 compared to 2019. The year 2020 was the first year of the pandemic, marked by numerous restrictions on economic and social activities. This situation could be explained by the support measures applied by the central authorities to diminish the effects of the pandemic. We can mention the support for technical unemployment, reduced working hours, financial grants for SME’s activities.

In 2021 the number of suspended entities was almost the same as in the previous year. We can assume that the support measure mention before kept the local entrepreneurs in business.

The final step of our analysis regarding the evolution of the entrepreneurial activities in Constanta County during the pandemic refers to the number of dissolved entities in the considered period. The results are presented in the figure no. 3.

Figure no. 3. Entities dissolution (2019 -2021)



Source: data processing from <https://www.onrc.ro/index.php/ro/statistici>

We can notice from the data presented that there is no significant increase in the number of dissolutions during the years 2020 and 2021. Therefore, we can assume that many of the entities affected by the pandemic accessed the support measures or decided to suspend their activities until the general economic conditions will improve.

5. Conclusions

The Romanian business environment offers to local entrepreneurs improved conditions to develop new businesses. At the same time there are still several obstacles that will be encountered in the process of starting a business.

Romanian entrepreneurs have resented the effects of the COVID-19 pandemic, which has generated important economic distortion.

This paper aimed to analyse the evolution of local entrepreneurship, namely the one in Constanta County, during the pandemic years.

The results indicate that despite the initial shock produced by the Covid-19 crisis, the entrepreneurial activities in the considered region continued to develop. The increased number of newly registered entities in 2021 compared to 2020 (first year of the pandemic) leads to the conclusion that local entrepreneurs have not lost their business appetite.

It can be also noticed based on the results of the analysis that the support measure implemented by the central authority to diminish the impact of the pandemic crisis seemed to have helped the entrepreneurs to stay on business throughout this challenging period.

This study has its limitations related in the first place with the considered period. The COVID-19 pandemic is still ongoing and a comprehensive analysis of its effects on the entrepreneurial activities needs to be deployed over its entire period. Moreover, a more in depth analysis should be used in order to determine the real effect that the support measures mentioned above will have had over the Romanian entrepreneurship.

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