

## Aspects Regarding the Profitability of Companies in the Towns of Constanta County, in 2016 and 2017

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### Abstract

*Profitability is a concern for any economic agent because the purpose of its activity is to earn profits, i.e. to conduct a profitable business. Profitability involves the efficiency of microeconomic activities, by comparing financial results – profits – with the expenditures made for obtaining them. This article focuses on aspects regarding the dynamics of the profit rate and the elements contributing to its calculation, i.e. profit and turnover, recorded by active companies in the towns of Constanta County, in 2016 and 2017. The indicators required for the statistical description of the data were calculated by the SPSS statistical software. A wide range of entrepreneurs, organs and specialized bodies interested in making the activity field more profitable can benefit from the centralization and systematization of the results obtained by this study.*

**Key words:** profitability, profit rate, towns of Constanta

**J.E.L. classification:** C10, C40, E240, M10, M20, M21, O11, O12

### 1. Introduction

When carrying out economic activities, the profit incites us to take initiatives in order to develop the activity. The profit plays several important parts, such as: it allows the release of the necessary sources for economic development and financing risky actions, being therefore the main self-financing source; it is the main means of controlling company efficiency and employees' activity; it is a synthetic indicator of the company's economic activity; its size and dynamics reflect the quality of the used resources, of the managerial act, of the existing technical endowment; it is the premise of future development and the ultimate goal of any economic agent.

This article focuses on aspects regarding the dynamics of the profit rate and the elements contributing to its calculation, i.e. profit and turnover, recorded by active companies in the towns of Constanta County, in 2016 and 2017. The indicators required for the statistical description of the data were calculated by the SPSS statistical software.

### 2. Theoretical background

Therefore, the requirements of economic efficiency concern the maximization of results, while minimizing expenditures, as well as optimizing the use of labor, material and money resources. In fact, economic efficiency criteria must govern any field of human activity, including the social one. On the other hand, profitability represents the efficiency of microeconomic activities by comparing financial results – the profit – with the expenditures incurred for obtaining them. Economic efficiency has a more complex content, reflecting the extent to which an activity produces positive economic effects per effort unit made on the market through the demand-supply ratio. "The competitiveness of a company involves making a critical diagnosis or inventory of its capacity, i.e. of the strengths and weaknesses of all the company's components, with particular reference to the success and competition key factors. It depends on the proper functioning of all its components" (Russu, 1998).

Under the current circumstances, where market factors prevail in the system of variables that explain the results of an enterprise, the analysis of the turnover is essential in order to assess the position of the enterprise in its activity sector, its market position, its ability to launch itself and to carry out various activities in a profitable manner (Juganaru, 1998, 2000). "Depending on the turnover level, it can be stated whether the enterprise is sufficiently important, whether it is meaningful to relate its results to those of the sector or whether its market share is negligible and strategic decisions should be made consequently" (Niculescu, 1997).

Profitability can also be calculated at product, enterprise, or industry level. At all these levels, it can be calculated in both absolute and relative values, by rates of return.

In order to conduct an analysis to inform both the management and the other users of economic and financial information, the rates of return are of particular importance. They are synthetic indicators of business efficiency; they are relative values that are calculated as the ratio between effect (result) indicators and indicators reflecting an activity flow or a "stock". The rates of return have different informational content and reflect the multiple sides of the enterprise's economic and financial activity.

### 3. Research Method

The initial database, which consisted of information gathered from 26,978 companies in 2016 and from 28,292 companies in 2017, was refined, excluding the companies that reported zero turnover and zero number of employees (www.mfinante.ro). Thus, 11,186 companies for 2016 and 11,945 companies for 2017 remained in the study.

The second stage of data systematization involved grouping the companies in terms of towns, as this paper took into account only the towns of Constanta County. The systematization of information and the calculation of statistical indicators were performed by the SPSS software (Field, 2009). The quantitative research was carried out by using the system of absolute, relative and average indicators of chronological series (Aivaz, 2007).

### 4. Data, results and discussion

Table 1 and Table 2 provide a statistical description of the "Net Turnover" and "Gross Profit" through the following statistic indicators: total feature level (Sum), number of companies (N), average level (Mean), in 2016 and 2017.

*Table 1 Statistical description of the "Net turnover" achieved by companies in the towns of Constanta County, in 2016 and 2017*

| Net turnover 2016 |             |                 |                       | Net turnover 2017 |              |                    |
|-------------------|-------------|-----------------|-----------------------|-------------------|--------------|--------------------|
| Town              | Mean        | N               | Sum                   | Mean              | N            | Sum                |
| Cernavoda         | 1481511.40  | 321             | 475565158             | 1097965.27        | 323          | 354642783          |
| Constanta         | 1932305.02  | 11533           | 22285273850           | 1917329.83        | 11963        | 22937016742        |
| Eforie Nord       | 599831.81   | 286             | 171551897             | 658761.98         | 297          | 195652309          |
| Eforie Sud        | 753080.78   | 169             | 127270652             | 714339.25         | 178          | 127152386          |
| Hârsova           | 1633322.41  | 135             | 220498526             | 1813006.67        | 141          | 255633940          |
| Mangalia          | 3043498.81  | 957             | 2912628364            | 1757125.21        | 991          | 1741311088         |
| Medgidia          | 804590.92   | 762             | 613098282             | 872400.50         | 768          | 670003587          |
| Murfatlar         | 2384891.62  | 134             | 319575477             | 2329345.31        | 138          | 321449653          |
| Navodari          | 13313046.10 | 727             | 9678584512            | 14658093.16       | 833          | 12210191600        |
| Negru Voda        | 1545126.42  | 38              | 58714804              | 1349743.41        | 39           | 52639993           |
| Baneasa           | 1001992.25  | 12              | 12023907              | 928703.96         | 23           | 21360191           |
| Techirghiol       | 962402.81   | 199             | 191518159             | 843632.80         | 204          | 172101092          |
| <b>Total</b>      |             | <b>15273.00</b> | <b>37066303588.00</b> |                   | <b>15898</b> | <b>39059155364</b> |

*Source:* Data obtained by processing the information from the financial accounting balance sheets of active companies in Constanța city

The following data recorded at the level of each town are considered important in the presentation of the evolution:

1. There is a negative evolution in Cernavoda in 2017 compared to 2016, in the context of an increase in the number of companies from 321 in 2016 to 323 in 2017. There was also a decrease of the share held in the total number of companies from all the towns in the county, from 1.68% in 2016 to 1.61% in 2017. Thus, the net turnover of all companies in this town decreased from 475,565,158 RON in 2016 to 354,642,783 RON in 2017; in terms of share in total net turnover, the decrease was from 2.10% to 0.91%. In addition, the average net turnover decreased from 1,481,511.40 RON to 1,097,965.27 RON. If in 2016, the gross profit reached 403,485 RON, in 2017 there was a loss of 30,755,357 RON.

2. In Constanta, although the number of companies increased from 11,533 in 2016 to 11,963 in 2017, and the net turnover of all companies in this city increased from 22,285,273,850 RON to 22,937,016,742 RON, there was a decrease in the average net turnover from 1,932,305.02 RON to 1,917,329.83 RON. Declining trends were recorded both in the share held in the net turnover achieved by all companies in the towns of Constanta County, from 75.51% in 2016 to 58.72% in 2017, as well as in the share in the total number of companies, respectively from 60.33% in 2016, to 59.77% in 2017. A positive development was noticed in the gross profit, the increase being from 1.345.016.693 RON in 2016, to 1.400.961.704 RON in 2017; the average gross profit also increased from 116,623.32 RON, to 117,107.89 RON.

3. A positive evolution has been noticed in Eforie Nord, which can be described as follows: the net turnover of all companies increased from 171,551,897 RON to 195,552,309 RON; the average net turnover increased from 599,831.81 RON to 658,761.98 RON. Evident increases were also noticed at the gross profit achieved by all the companies in the town, i.e. from 25,253,955 RON in 2016 to 35,608,094 RON in 2017; the average gross profit also increased from 88,300.54 RON in 2016 to 119,892.57 RON in 2017.

4. In Eforie Sud, the number of companies increased from 169 in 2016 to 178 in 2017; regarding the share in the total number of companies in the towns of Constanta County, the increase was from 0.88% to 0.89%; on the one hand, we noticed a small decrease of the turnover and, on the other hand, an increase of gross profits. Concretely, the net turnover of all companies decreased from 127,270,652 RON in 2016 to 127,152,386 RON in 2017 and the share held in the net turnover of all companies in the towns of Constanta County decreased from 1.11% in 2016 to 0.33% in 2017. The average net turnover also dropped from 753,080.78 RON to 714,339.25 RON. On the other hand, the gross profit of all companies increased from 12,934,373 RON in 2016 to 13,845,969 RON in 2017.

5. There is a positive evolution in Hârșova town. The net turnover of all companies in this town increased from 220,498,526 RON in 2016 to 255,633,940 RON in 2017. However, the share in the net turnover of all companies from the towns of Constanta County decreased from 0.88% to 0.65%. The average net turnover rose from 1,633,322.41 RON in 2016 to 1,813,006.67 RON in 2017. The number of companies also increased from 135 in 2016 to 141 in 2017. As far as the share is concerned, it recorded an insignificant decrease from 0.71% to 0.70% of the total number of companies in the county. Increases were also noticed in terms of the gross profit achieved by all companies, from 17,638,951 RON in 2016, to 23,824,116 RON in 2017. The average gross profit also increased from 130,658.90 RON in 2016 to 168,965.36 RON in 2017.

6. Mangalia is marked by a significantly negative evolution. Thus, the net turnover of all companies in this town decreased from 2,912,628,364 RON in 2016 to 1,741,311,088 RON in 2017. The average net turnover decreased from 3,043,498.81 RON in 2016 to 1,757,125.21 RON in 2017. Although the absolute value of the number of companies increased from 957 in 2016 to 991 in 2017, the total number of companies in the towns from Constanta County decreased from 5.01% in 2016, to 4.95% in 2017. We noticed a loss of 407,110,693 RON in 2016, at the level of the companies in Mangalia; the gross profit was 225,132,524 RON in 2017. In addition, the average gross profit was 227,177.12 RON in 2017, while in 2016 losses were recorded.

Table 2 Statistical description of the "Gross Profit" achieved by companies in the towns of Constanta County in 2016 and 2017

| Gross profit 2016 |           |              |                   | Gross profit 2017 |              |                   |
|-------------------|-----------|--------------|-------------------|-------------------|--------------|-------------------|
| Town              | Mean      | N            | Sum               | Mean              | N            | Sum               |
| Cernavoda         | 1256.96   | 321          | 403485            | loss              | 323          | -30755357         |
| Constanta         | 116623.32 | 11533        | 1345016693        | 117107.89         | 11963        | 1400961704        |
| Eforie Nord       | 88300.54  | 286          | 25253955          | 119892.57         | 297          | 35608094          |
| Eforie Sud        | 76534.75  | 169          | 12934373          | 77786.34          | 178          | 13845969          |
| Hârsova           | 130658.90 | 135          | 17638951          | 168965.36         | 141          | 23824116          |
| Mangalia          | loss      | 957          | -407110693        | 227177.12         | 991          | 225132524         |
| Medgidia          | 80071.10  | 762          | 61014180          | 55240.43          | 768          | 42424651          |
| Murfatlar         | loss      | 134          | -76372077         | loss              | 138          | -34251606         |
| Navodari          | 124885.86 | 727          | 90792018          | 620943.49         | 833          | 517245929         |
| Negru Voda        | 399225.47 | 38           | 15170568          | 354152.44         | 39           | 13811945          |
| Oras Baneasa      | 40116.92  | 12           | 481403            | 68209.61          | 23           | 1568821           |
| Techirghiol       | 60472.61  | 199          | 12034050          | 47329.78          | 204          | 9655275           |
| <b>Total</b>      |           | <b>19118</b> | <b>1415398085</b> |                   | <b>15898</b> | <b>2219072065</b> |

Source: Data obtained by processing the information from the financial accounting balance sheets of active companies in Constanța city

7. Medgidia experienced a contradictory trend, recording increases of the turnover and decreases of the gross profit. Thus, the net turnover of all companies in this town increased from 613,098,282 RON in 2016 to 670,003,587 RON in 2017. However, the share in the net turnover achieved by all companies in the towns from Constanta County decreased from 4.99% to 1.72%. The average net turnover, which was 804,590.92 RON in 2016, reached 872,400.50 RON in 2017. Even under these circumstances, it is noteworthy that there were significant decreases in the gross profit achieved by all the companies in Medgidia, i.e. from 61,014,180 RON in 2016 to 42,424,651 RON in 2017 (the share in the gross profit achieved by all companies in the towns of Constanta County decreased from 4.31% in 2016 to 1.68% in 2017). The same happened to the average gross profit, which in 2016 reached 80,071.10 RON and in 2017 dropped to 55,240.43 RON. The number of companies grew in absolute value from 762 in 2016 to 768 in 2017, but the share in the total number of companies in the towns of Constanta County declined from 3.99% in 2016 to 3.84% in 2017.

8. As far as Murfatlar is concerned, in line with the increase in the number of companies, i.e. from 134 in 2016 to 138 in 2017, on the one hand, the net turnover of all companies increased from 319,575,477 RON in 2016 to 321,449,653 RON in 2017. On the other hand, the average net turnover decreased from 2,384,891.62 RON in 2016 to 2,329,345.31 RON in 2017. Decrease trends were noticed both in the share in the net turnover achieved by all the companies in the towns of Constanta County, i.e. from 0.88% in 2016 to 0.82% in 2017, as well as in the share in the total number of companies in the towns of Constanta County, respectively from 0.70% in 2016 to 0.69% in 2017. This town draws the most attention through the size of registered losses, i.e. 76,372,077 RON in 2016 and 34,251,606 RON in 2017.

9. In Năvodari, the evolution was positive. The growth in the net turnover of all companies in this town increased from 9,678,584,512 RON in 2016, to 12,210,191,600 RON in 2017. The share in the net turnover achieved by all companies in the towns of Constanta County also increased from 4.76% to 31.26%. The average net turnover grew from 13,313,046.10 RON in 2016 to 14,658,093.16 RON in 2017. The increase of the gross profit is also remarkable. Thus, in 2016, the gross profit of all companies was 90,792,018 RON and it reached 517,245,929 RON in 2017; the average gross profit achieved in 2016 was 124,885.86 RON and in 2017, it reached 620,943.49 RON.

10. As far as Negru Voda is concerned, we noticed a negative evolution of all indicators. Specifically, the net turnover of all companies in the town decreased from 58,714,804 RON in 2016 to 52,639,993 RON in 2017, and the average net turnover decreased from 1,545,126.42 RON in 2016 to 1,349,743.41 RON in 2017. The share of the net turnover achieved by all companies in Negru Voda in the net turnover of all the companies from all the towns of the county decreased from 0.25% in 2016 to 0.13% in 2017. The gross profit achieved by all companies in Negru Voda reached 15,170,568 RON in 2016 and dropped to 13,811,945 RON in 2017. The average gross profit reached 399,225.47 RON in 2016 and decreased to 354,152.44 RON in 2017. There is an insignificant increase in the number of companies, i.e. from 38 in 2016 to 39 in 2017.

11. In Băneasa, on the one hand, the number of companies increased from 12 in 2016 to 23 in 2017. Moreover, the net turnover of all companies increased from 12,023,907 RON in 2016 to 21,360,191 RON in 2017. On the other hand, we noticed a decrease of the average net turnover, i.e. from 1,001,992.25 RON in 2016 to 928,703.96 RON in 2017. As for the gross profit achieved by all the companies in this town, it increased from 481,403 RON in 2016 to 1,568,821 RON in 2017. The average gross profit also increased from 40,116.92 RON in 2016 to 68,209.61 RON in 2017.

12. In Techirghiol, although the number of companies increased (from 199 in 2016 to 204 in 2017, while the share dropped from 1.04% to 1.02%), the economic activity was negative. In this context, we recall that the net turnover of all companies in this town fell from 191,518,159 RON (in 2016) to 172,101,092 RON (in 2017). In addition, the gross profit achieved by all companies in Techirghiol fell from 12,034,050 RON (in 2016) to 9,655,275 RON (in 2017). The average gross profit also decreased from 60,472.61 RON in 2016 to 47,329.78 RON in 2017.

## 5. Conclusions

It is noteworthy that while the number of companies increased from 15,273 (19,118) in 2016 to 15,898 in 2017, the total value of the net turnover achieved by all companies in the towns of Constanta County also increased, i.e. from 37,066,303,588 RON in 2016, to 39,059,155,364 RON in 2017. Moreover, the gross profit achieved by all companies in the towns of Constanta County increased from 1,415,398,085 RON in 2016 to 2,219,072,065 RON in 2017. Over the period 2016-2017, the increase expressed in absolute terms reached 1,992,851,776 RON for the net turnover achieved by all companies in the towns of Constanta County and 803,673,980 RON for the gross profit achieved by all companies in the towns of the county.

Three towns drew the attention through the evolution recorded over the analyzed period: Navodari is different from the other towns because it had a positive evolution, while Murfatlar recorded the largest losses; Constanta had an almost constant evolution.

By comparing the two analyzed indicators (turnover and profit), we drew a synthetic profitability picture by means of a relative indicator, i.e. the profit rate (Table 3).

*Table 3 Profit Rate*

| Town/Profit rate | 2016   | 2017   |
|------------------|--------|--------|
| Constanta        | 6.04%  | 6.11%  |
| Eforie Nord      | 14.72% | 18.20% |
| Eforie Sud       | 10.16% | 10.89% |
| Hârsova          | 8.00%  | 9.32%  |
| Medgidia         | 9.95%  | 6.33%  |
| Navodari         | 0.94%  | 4.24%  |
| Negru Voda       | 25.84% | 26.24% |
| Oras Baneasa     | 4.00%  | 7.34%  |
| Techirghiol      | 6.28%  | 5.61%  |
| Total            | 3.82%  | 5.68%  |

*Source:* Data obtained by processing the information from the financial accounting balance sheets of active companies in Constanța city

The profit rate shows the efficiency of the economic activity, of the activity field or of the company, ensuring the relation between profit and net turnover. Thus, from this perspective, as shown in Table 3, in 9 of the analyzed towns, the companies carry out profitable activities, while in 3 towns (i.e. Cernavoda, Murfatlar and Mangalia), the majority of companies perform inefficient activities.

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