

Predilection for Investments and Profitability Trends of Artistic Activities in Constanta County

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Abstract

This study provides a perspective on the way companies that carry out artistic activities in Constanta County manage their performance in terms of fulfilling their objectives. These companies focus on socio-cultural objectives, while at the same time, according to the instruments used in business, they carry out income-generating activities for their sustainability in the community in which they operate.

The use of the profitability ratios method gave us the possibility to obtain different types of information and allowed the possibility to make a comparison regarding the economic-financial activity of an endeavor.

Key words: artistic activities, financial assessment, fixed assets, performance, economic profitability ratio

J.E.L. classification: M21, O10, P52, Z11

1. Introduction

Art, through specific means expresses the creativity of the human spirit, being an essential determinant of the quality of life which affects each aspect of daily activities.

Compared to science, art requires a special faculty of the soul in order to be produced, namely genius, but it can be appreciated by anyone; science, on the other hand, does not require any special faculty in order to be produced, but it can only be appreciated by specialists (Aslam and Moraru, 2017, p.42).

The art world does not function in the same way as a legislative body (Dickie, 2001, p.19), the mechanisms by which the objects of the artistic activity become members of this world must be, in a way, automatic.

The art world must be understood as a background for the practices of art creation and experimentation (Dickie, 2001, p.52). The art world is a form of implicit organization of the artistic practices, a cultural structure in which works of art are produced and operate, and the structure itself is specified in terms of a variety of cultural roles (Dickie, 1974, p.28).

The perception of art as a timeless manifestation of culture has many forms, but finding ways to measure and quantify it is a focus of our paper. Research interest manifested in finding ways to quantify cultural activities with socioeconomic indicators (Florea et al, 2020, p.291). We hereby propose a visual interpretation of financial indicators, focusing on investments and profitability in arts.

2. Literature review

The term "performance" has become extremely popular in recent years in a wide range of activities, such as art, literature and social sciences. Due to the growing popularity and use of the word, the research on the concept of performance has multiplied, trying to analyze, measure and understand the incidence in each activity (Robu and Ciora, 2010, p.109).

The specialized literature includes an impressive series of articles and studies which measure the company's performance or evaluate the impact of certain factors on it (Gruian, 2010, p.244), however, defining this concept in a singular acceptation is difficult to achieve. Performance measurement is a two-way challenge oriented to the achievement of the necessary condition for ensuring the progress of an entity, with a special care for resource use and judicious capital investment (Munteanu, 2018, p.1247). It is said that unmeasured progress does not exist. However, measurement is not an end in itself, it makes success recurrent insofar as it generates action (Niculescu, 2005, p.47).

The financial sustainability of an investment, the evaluation of the costs and revenues, related to the phases of realization and management of investments depends on the calculation of cash flows generated in the analyzed period for the private entity, the determination of the performance indicators in order to verify the feasibility of the initiative. The factors underlying an efficient performance measurement framework, the shortcomings of many "traditional" measurement systems which are mainly based on financial indicators, but also a brief commentary on more modern approaches to performance measurement are found in Parker's study (2000, p.1).

The company's performance takes into account, among others, the results obtained by using the factors of production, respectively those recognized and presented in the profit and loss statement. Profitability is one of the forms of manifestation of the efficiency of a company's economic-financial activity, respectively of the use of the means of production and of the labor force in all the stages of the economic circuit (Spătariu, 2006, p.175).

The management of any activity within a company involves two major levels of decision-making: strategic decisions and operational decisions (Vancea, 2004, p.179). Regarding the investment policy, it represents a strategic policy and is an essential part of the general policy of the company, i.e., to generate a very high capital expenditure. Any acquisition is a strategic capital investment and involves a fair assessment of its attractiveness and timeliness (Alkaraan and Northcott, 2006; Carr, Kolehmainen and Mitchell, 2010; Carr and Tomkins, 1996; Harris, Emmanuel and Komakech, 2009). In this sense, it is necessary to pay more attention to the cognitive and managerial assessments of the professionals involved in evaluation. Kahneman and Klein (2009) state in their study that the evaluation of a possible investment, by an expert, through an intuitive process based on expertise, greatly affects the strategic and financial reasoning. The quality of a capital investment decision depends largely on the professionals who issue the strategic and financial reasoning (Haka,2007), their expertise being extremely important, even more important than the technical tools used in the evaluation (Ericsson, 2006; Kahneman and Klein, 2009; Simon, 1992).

3. Research methodology

In order to outline the case study, we have chosen to analyze the economic-financial indicators regarding investments and profitability based on the statistical data of the companies operating in the representative fields of artistic activity in Constanta County. The data used in the analysis belong to the calendar year 2019, i.e., the reference period, the last statistical data having been processed, with a definitive character, provided by the National Institute of Statistics of Romania (INSSE) and the Ministry of Public Finance (ANAF / National Agency for Fiscal Administration). We have processed the statistical data using the statistical software SPSS for a considerable number of companies and the analysis of the indicators has allowed us to obtain a graphical representation of the business contexts in the field of artistic activities in Constanta.

The main classes of artistic activities included in the analyzed information database are:

- Architectural activities
- Specialized design activities

- Artistic interpretation activities (shows/performances)
- Support activities for artistic interpretation (shows/performances)
- Artistic creation activities
- Library and archive activities
- Management of monuments, historic buildings and other tourist attractions

We have performed a quantitative processing of the statistical data, through the graphical method having managed to highlight the comparison between the activities.

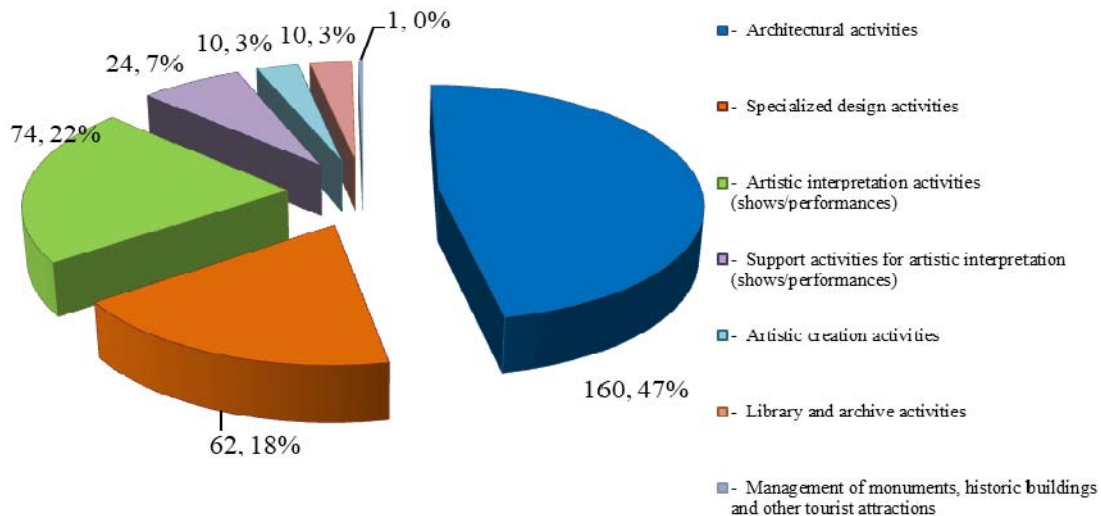
We have used the profitability ratios method which offers the possibility of obtaining different information and creates the possibility of making a comparison in all three plans, positions, time, and space regarding the economic and financial activity of a company.

4. Findings

At the level of Constanta County, annual financial statements were reported by 21,590 companies, with a turnover higher than zero. Of the total number, the companies which carry out artistic activities within the analyzed population are 341, which represents a percentage of 1.58%.

The number of companies specialized in the analyzed activities have different ratios according to the graph in figure no. 1.

Figure no. 1. The percentage of companies specialized in artistic activity



Source: Author's processing based on the INSSE indicators

Within the indicators measuring the performance of a company's activity, the highest ratio belongs to those which measure its profitability, both in absolute terms, through the profits generated by the activity, and in relative terms, with the help of economic, financial or commercial profitability ratios. The way these indicators reflect the actual performance of the enterprise depends on the quality of the available accounting information on the basis of which they are calculated. Profitability ratios are synthetic indicators of the efficiency of the company's activity, they are relative quantities which are determined as a ratio between effect indicators (result) and indicators which reflect an activity flow or a "stock". The profitability ratio is a ratio between an indicator of results (profit or loss) and an indicator which reflects an activity flow (net turnover, used resources, etc.) or a stock (equity, total assets, etc.) (Vâlceanu et al., 2005, p.14).

Based on the main operational indicators reported in the annual financial statements, by the companies having artistic activities as their main object, we determined the average values for the economic profitability ratio. The economic profitability ratio was calculated for each company, by using the gross profits to total assets ratio. Thus, the economic profitability ratio highlights the performance of the total assets of the enterprise, as a ratio between the economic results and the

economic means which are employed in order to obtain this result. The economic profitability ratio is independent from the fiscal pressure since it takes into account the gross result and it expresses the efficiency in using the asset to obtain profit. It is one of the most important profitability ratios and it measures the performance of the entire invested capital materialized in the company's assets.

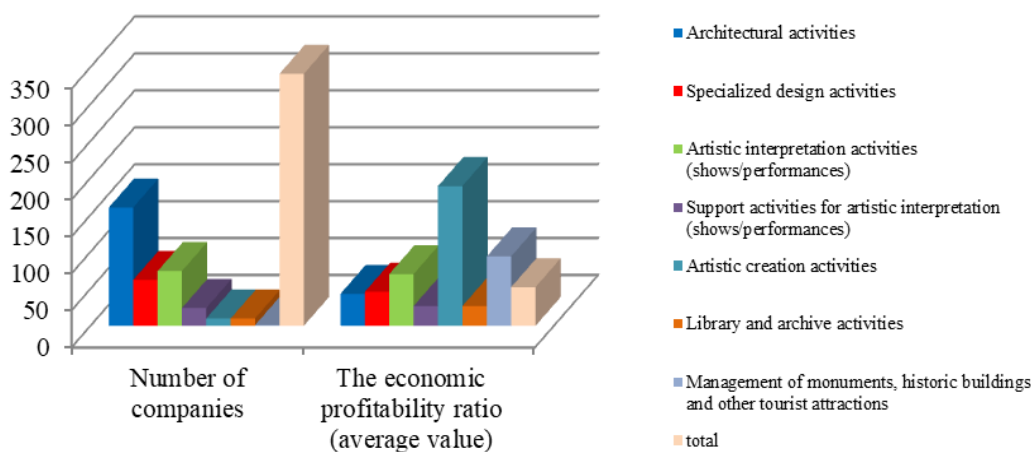
For the 341 companies which were subjected to the analysis, the situation is presented according to Table no. 1

Table no. 1. Situation of the economic profitability ratio (average value) by types of artistic activities

	Number of companies	The economic profitability ratio (average value) %	Total assets (average value) RON	Gross profit (average value) RON
Architectural activities	160	43.22	318875.52	102670.91
Specialized design activities	62	46.02	254265.69	67880.89
Artistic interpretation activities (shows/performances)	74	69.92	146006.01	36207.24
Support activities for artistic interpretation (shows/performances)	24	26.75	1640528.17	327519.08
Artistic creation activities	10	189.09	207590.40	62932.20
Library and archive activities	10	26.71	279160.70	78982.30
Management of monuments, historic buildings and other tourist attractions	1	93.85	261639.00	245554.00
Total	341	52.33	358037.62	96306.31

Source: Author's processing based on the INSSE indicators

Figure no. 2 . Situation of the economic profitability ratio (average value) by types of artistic activities



Source: The data in the table no. 1.

We find that the highest value of the economic profitability average ratio is in companies which carry out "artistic creation activities". This type of activity usually includes companies with activities of individual artists, where operating expenses do not reach high values, at a considerable turnover. On the opposite side, with the lowest value of the profitability average ratio is the "Libraries and archives activity". This class includes: activities of the libraries of any kind, reading rooms activities, audition and viewing activities, activities of public archives which provide services to the general public or to special categories of users, such as students, scientists, company staff, members of an association, as well as activities of governmental archives: organizing collections of works, specialized or not specialized, elaborating catalogs, lending and storing of books, maps, periodicals, movies, recordings, cassettes, works of art, etc., research activities, in

order to answer to information requests, etc., photo and film archives services (National Trade Register Office - Classification of activities of the national economy - CAEN Rev.2). The causes for the closing library phenomenon, at an alarming rate, are the same as at the national level: low birth rate, school dropout, young people going abroad, but they are also political, given that the involvement of politicians remains only declarative, not practical.

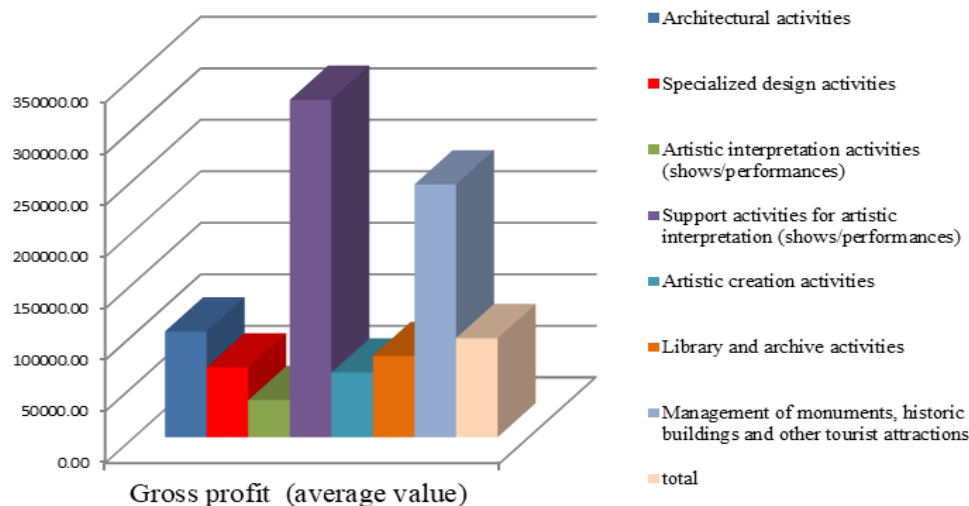
The companies with architectural and specialized design activities have the most important ratio, in terms of number, however, the economic profitability average ratio shows that the efficiency in using the asset to make a profit is around 45%.

In the "Management of monuments, historic buildings and other tourist attractions" activity, the performance of the total assets in obtaining profit for the only company operating in the County is highlighted by the economic profitability average ratio of 93.85%, a value well above the economic profitability average ratio for the total number of companies with artistic activity at the level of Constanta County, with a value of 52.33%.

From the analysis of the two indicators which were the basis for determining the economic profitability average ratio, we can notice the following:

In connection with the gross profit, we find the maximum value in the class of companies whose object is "Support activities for artistic interpretation (shows/performances)". This class includes: support activities for artistic interpretation (shows/performances), for the organization of live theatrical performances, concerts, opera or ballet performances and other stage productions; activities of directors, producers, scenery designers and builders, machinists, sound and lighting engineers, etc.; the activities of producers or organizers of artistic events broadcast live, with or without the related facilities (National Trade Register Office - Classification of activities of the national economy - CAEN Rev.2).

Figure no. 2 . Gross profit situation (average value) by types of artistic activities



Source: The data in the table no. 1.

The lowest average value of the gross profit is recorded by the companies that have as object "Artistic creation activities" but we showed that this class has the highest value of the economic profitability average ratio among the classes of analyzed companies.

Regarding the assets, which represent resources controlled by the company, obtained from past benefits and which are expected to generate future economic benefits, we will focus on the analysis of fixed assets within the companies analyzed according to table no. 2.

Capital investments in fixed assets or in current assets, in the long and medium term are made for profit and represent an important immobilization, in terms of volume and duration, aiming to obtain an optimal future profitability.

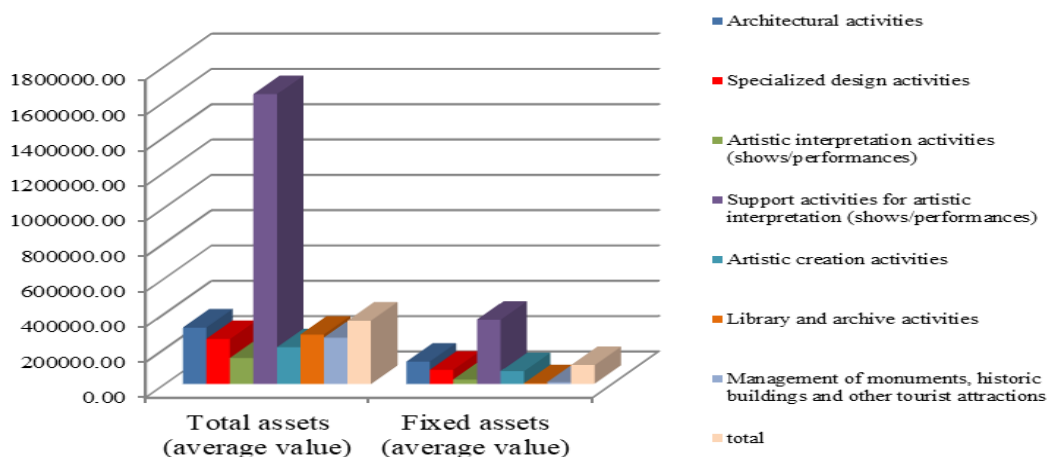
In table no. 2, we divided the capital investments into fixed assets and current assets for companies that carry out artistic activities in Constanta County and we calculated the percentage of long-term fixed assets in the total capital investments. Companies with architectural activities, with specialized design activities and artistic creation activities register weights between 31% and 39% for long-term investments. At the opposite pole, with weights between 1% and 4%, we observe the companies with library activities and archives and those with management of monuments, historic buildings and other tourist attractions.

Table no. 2. Situation of capital investment in total assets and share of fixed assets in total assets (average values) for companies with artistic activity

	Number of companies	Total assets (average value) RON	Fixed assets (average value) RON	Current assets (average value) RON	Column 2/ Column 1 %
	0	1	2	3	4
Architectural activities	160	318875.52	125900.13	187651.68	39.48
Specialized design activities	62	254265.69	80001.53	173239.42	31.46
Artistic interpretation activities (shows/performances)	74	146006.01	24873.68	120775.45	17.04
Support activities for artistic interpretation (shows/performances)	24	1640528.17	362835.17	1226539.21	22.12
Artistic creation activities	10	207590.40	71988.40	135369.70	34.68
Library and archive activities	10	279160.70	3316.20	262469.50	1.19
Management of monuments, historic buildings and other tourist attractions	1	261639.00	10416.00	251223.00	3.98
Total	341	358037.62	106792.59	244484.02	29.83

Source: Author’s processing based on the INSSE indicators

Figure no. 3 Situation of capital investment in total assets (average values) for companies with artistic activity



Source: The data in the table no. 2.

5. Conclusions

The general results of this study show the efficiency of the artistic activities at the level of Constanta County. With the help of the economic profitability ratio, we have analyzed the economic properties which govern the companies belonging to the classes of artistic activities.

These companies are a good example of economic development based on socio-cultural objectives. Consumer sovereignty is considered to be the goal of the creative art activities' policy. It helps identify the nature and form of the demand for cultural services.

It was not easy to carry out an original kind of research given that, conducting a brief search in the microeconomic literature using the keyword "performance" we have found a variety of articles and studies which measure a company's performance or assess the impact of certain factors on it.

We have found that companies which carry out artistic activities in Constanta County are efficient, the initial long-term source of their performance being profitability. This involves the efficient use of resources and the effective achievement of the set objectives. Performance is built and leads to the achievement of the organizational objectives regardless of their nature and variety.

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