

THE START-UP PROGRAMS' RELEVANCE FOR STIMULATING THE ROMANIAN ECONOMY

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Abstract: *Once the year 2017 had begun, the Ministry for Business Environment, Trade and Entrepreneurship from Romania had released for the first time the Start-Up Nation Romania Program. This initiative had appeared in Romania as a consequence of a continuously decreasing economy. The decreasing trend of economy had been, was and is influenced by a raised unemployment rate that directly involves a low level of the workforce. In the same time, this Start-Up Program appeared as a result of the deficit of financial resources in order to set a business targeted on innovation and development. Based on a strong motivation and on well outlined objectives, on different research methods and on an extensive literature review, the present paper aims to approach the previously presented subject.*

Key words: *Start-Up Program, company, Romanian economy, stimulation, financing.*

INTRODUCTION

We have all heard at least once the "start-up" term. It has not yet been given an exact definition for it, because everyone defines it in various ways. In the attempt to give a plausible definition to this term, two "camps" were formed, namely: the first camp considers that these start-up programs are temporary organizations that have to appear within the market in which they operate; the second camp perceives these start-up programs as companies that are designed in order to accelerate maturity and highlight the entrepreneur's abilities [4]. This term "start-up" was firstly used in 1976 within the Forbes magazine and understood as a "budding company". In 1977, an article in Business Week magazine had been written, where the start-up concept had been associated with words such as "accelerator" or "rapid growth". The population firstly understood this concept as referring to a company found at the beginning of the "road", which is active in the field of technology. At the beginning of the 1990s, the concept of "start-up" began to be understood more and more easily, so it slowly came to its nowadays meaning [4].

MATERIALS AND METHODS

The present paper is based on more and various research methods, such as: The analysis, the synthesis, the induction, the deduction, the comparative study, the case study, the brainstorming, the Pearson coefficient, the R-squared coefficient and so on.

RESEARCH RESULTS

Start-up Program in Romania

In Romania, due to a steadily decreasing economy and because today's young people do not have enough financial resources, in 2017, the Romanian Minister of Business, Trade and Entrepreneurship launched a program in order to finance new business named the Start-Up Nation Program in Romania. This program aims to fund, by using the money received from the European Social Fund, 10,000 newly established companies. The European Social Fund helps newly established companies with up to € 44,000 in funding, this money being irredeemable [4].

This start-up nationwide program is aimed at SMEs (small and medium-sized enterprises), that were set up after the 30th of January 2017. The maximum funding that can be obtained is 200,000 lei (44,000 Euros), money from which can buy plant, IT equipment, installations, furniture, technological equipment, consulting services or even staff training.

A basic rule of this program is that each newly established company will employ at least two people, which means that there would be at least 20,000 extra jobs. Because of this funding limit, there are some activities that do not fit in with this amount, such as agriculture, financial intermediation, real estate intermediation, gambling, trade and others.

There is a period of reflection of 3 years, in which the young entrepreneur is committed to adhering to certain rules and obligations such as: maintaining newly created jobs, maintaining the assets acquired in the company's patrimony, depreciating assets (where appropriate) [4].

In order to access such funds, you must comply with certain criteria such as:

- Companies must be legally organized as SRL, SRL-D or co-operatives.
- Companies must be set up after the 30th of January 2017.
- Companies must not be debited to the state budget and the local budget.
- Companies must have the CAEN code approved by the ONRC at the time of filing the file.
- Companies must create at least 2 jobs and keep them for at least 3 years (monitoring period).

Registration is done online within 30 calendar days. There are selection criteria based on which certain scores are awarded. One of the criteria would be the field of activity. The best-rated enterprises are producing (with 40 points), after the creative industries (35 points), after the services (by 30 points) and the trade (by 25 points).

Another criterion refers to employees, namely if a company offers to provide one job for 3 years, it will not get any points. But if the company offers two jobs, it will get 20 points. Here we can include another criterion, and extra one, namely whether employed employees were unemployed before, if they are people with disabilities or young graduates, the project will be scored with 20 or 25 extra points.

Another criterion consists of how this money will be spent. If more than 50% will be spent on technology and IT equipment, there will be more points, because nowadays activity is focused on technology. (It is indicated that the project to have an innovative character) [4].

The statistics and the dynamics of the Start-Up Nation Program in the 2017 Romania are presented as follows, by using tables and graphs:

Table 1.
The number of projects being part of the Start-Up Nation Program in 2017

No.	Category	Number of projects
1	100 points	3983
2	95 points	4566
3	90 points	4684
4	Less than 90 points	5235
5	Ineligible	270
6	Total	18738

Source: results of own research

Table 2.
The weight of projects being part of the Start-Up Nation Program in 2017

No.	Category	Weight
1	100 points	21.26%
2	95 points	24.37%
3	90 points	25.00%
4	Less than 90 points	27.94%
5	Ineligible	1.44%
6	Total	100.00%

Source: results of own research

Table 3.
The absolute deviation from maximum of projects being part of the Start-Up Nation Program in 2017

No.	Category	Absolute deviation from maximum
1	100 points	1252
2	95 points	669
3	90 points	551
4	Less than 90 points	0
5	Ineligible	4965

Source: results of own research

Table 4.
The absolute deviation from minimum of projects being part of the Start-Up Nation Program in 2017

No.	Category	Absolute deviation from minimum
1	100 points	-3713
2	95 points	-4296
3	90 points	-4414
4	Less than 90 points	-4965
5	Ineligible	0

Source: results of own research

Table 5.
The relative deviation from maximum of projects being part of the Start-Up Nation Program in 2017

No.	Category	Relative deviation from maximum
1	100 points	-23.92%
2	95 points	-12.78%
3	90 points	-10.53%
4	Less than 90 points	0.00%
5	Ineligible	-94.84%

Source: results of own research

Table 6.

The relative deviation from minimum of projects being part of the Start-Up Nation Program in 2017

No.	Category	Relative deviation from minimum
1	100 points	1375.19%
2	95 points	1591.11%
3	90 points	1634.81%
4	Less than 90 points	1838.89%
5	Ineligible	0.00%

Source: results of own research

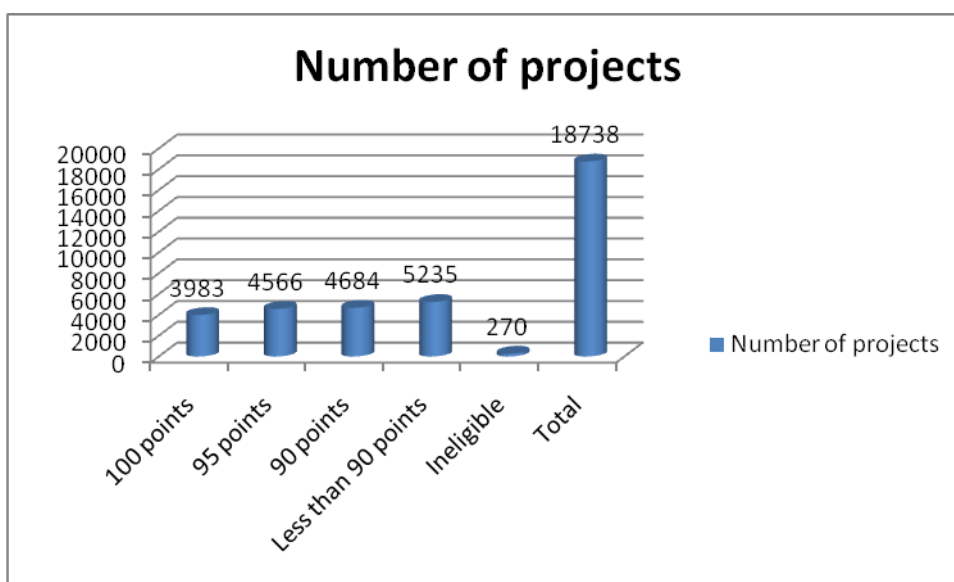


Figure 1. The number of projects being part of the Start-Up Nation Program in 2017

Source: results of own research

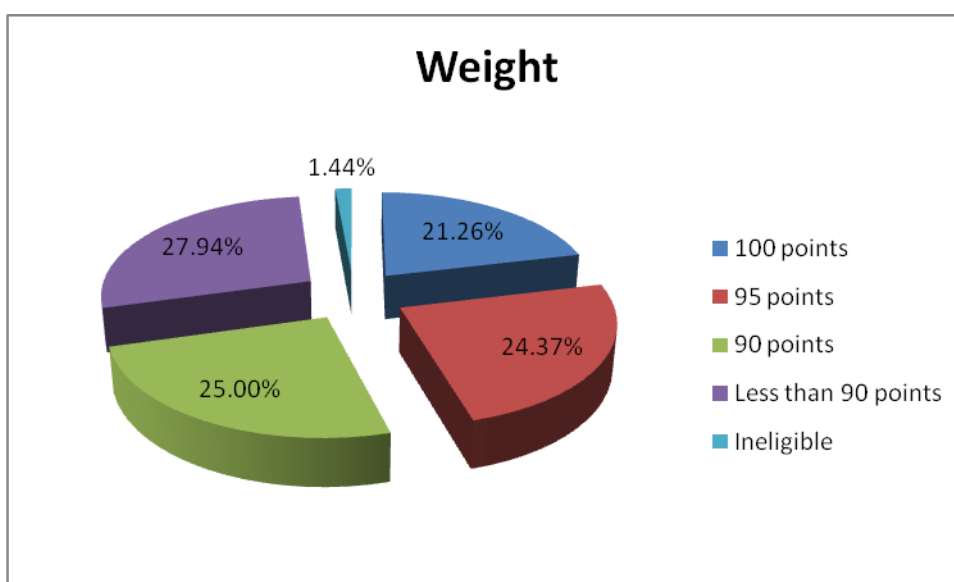


Figure 2. The weight of projects being part of the Start-Up Nation Program in 2017

Source: results of own research

Above, there is a graph in order to express exactly how things stood in 2017, as follows: first place was occupied by projects that have received less than 90 points (5.235), second place was occupied by projects that have obtained 90 points (4.684), the third place was occupied by projects that have obtained 95 points (4.566), fourth place was occupied by projects that have obtained maximum points, namely 100 points (3.983), and, finally, the fifth category consists of projects that have not been properly entered and have not been evaluated (270) [4].

Start-up Program on the Globe

The start-up program is a program that leads to continuous development and innovation. This concept of start-up is spread worldwide in a heterogeneous way. In some parts of the globe, this start-up program is much better implemented because of a stable and well-developed economy, while in other parts of the globe this program is less developed from opposite causes, such as especially a poorly developed economy [4].

According to the diagram above, it is clear that North America is the most developed (51%) in terms of this start-up nation program. Europe ranks second, with a very large distance from the first place, namely 21%. Europe is closely followed by Asia with 18%. Thereafter, South America and Australia both have a total of only 4%. The weakest percentage share is recorded in Africa, being of only 2%.

As we can see, on the continents with more developed countries, these start-up programs are much better developed (North America, Europe, Asia) than on the continents where countries are underdeveloped (Africa, South America, Australia) [4].

In Europe there can be noticed a quite short average life period of start-ups, namely 2.4 years. As it follows, we proposed to analyze the correlation between the Gross Domestic Product (GDP) and the average life period of start-ups throughout the most important European countries in 2017.

Thus, the Pearson correlation is presented as it follows:

Table 7.

The average life period of a start-up and the GDP throughout the most important European countries in 2017

Country	Average life period of a start-up (years)	Gross Domestic Product (GDP) (billion Euros)
Austria	2.5	369.2
Belgium	2.9	473.2
Cyprus	2.6	19.2
Finland	3.4	223.5
France	2.4	2287.6
Germany	2.5	3263.4
Greece	1.3	177.7
Hungary	2.7	123.5
Ireland	2.1	296.2
Italy	2.4	1716.9
Holland	2.3	733.2
Poland	1.9	465.6
Portugal	2.5	193
Slovenia	2.3	43.3
Spain	2.3	1163.7
United Kingdom	2.7	2324.3

Source: results of own research

Table 8.

The correlation between the average life period of a start-up and the GDP throughout the most important European countries in 2017

	Pearson Coefficient
Correlation between the average life period of a start up and the Gross Domestic Product throughout Europe	0.07731656

Source: results of own research

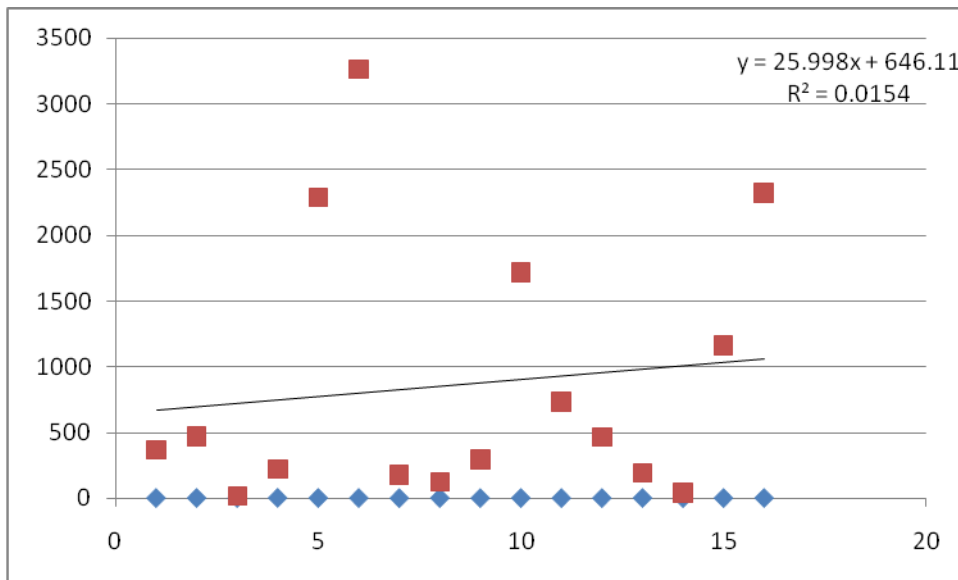


Figure 3. The R-squared coefficient correlating the average life period of a start-up and the GDP throughout the most important European countries in 2017

CONCLUSION

In our opinion, these start-up programs are especially beneficial for young graduates who want to set up a business. This is an opportunity especially if one does not have enough financial resources available. From our point of view, nowadays young people should focus on such programs because self-development represents a premise for the economic growth.

Within Romania's case, one can notice a low number of ineligible projects during 2017, most of them being less than 90 points. This trend emphasizes that they are elaborated with responsibility, but, in the same time, the task could be improved.

Within the worldwide and the European case, one can notice a medium to high performance of our continent concerning the debated issue. The Pearson coefficient returns a positive low value, placed between 0 and 0.25, meaning that the Gross Domestic Product and the average life period of start-ups does not influence each other significantly during 2017 at the European level. The same conclusion is returned by the R-squared coefficient.

The present research has just a brief character, following to be detailed and presented with all its dynamics within future research studies.

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