

CORRELATIONS BETWEEN SME SECTOR, INVESTMENT AND SUSTAINABLE RURAL DEVELOPMENT IN ROMANIA

PhD assist. prof. Laura GIURCA VASILESCU
PhD prof. POPA ANA

University of Craiova, Romania
Faculty of Economy and Business Administration
13, A.I. Cuza, 200585, Craiova, Romania
e-mail: laurra2004@yahoo.com

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Abstract. The rural development become at present more a more a global priority which is considered to be more than a simple rural policy. The starting point of our analysis is the European model and the American model for the rural development. Another part of the article is focused on European Union (EU) rural development policy 2007-2013 and on supporting the implementation of its strategies and programs.

It can be said that the Small and Medium Enterprises sector is the key of “the triple” of the rural durable development: economic, social, environment. Therefore in our paper we analyze the evolutions from the Romanian sector of SMEs, especially the rural SMEs, in comparison with the situation from EU countries, taking into consideration the requirements of a rural durable development. In this context, a major role in the Romanian rural development is played by the investment and financing, including the structural European funds.

INTRODUCTION

In our paper, we tried to underline the role of the SMEs sector and investment in solving the problem of rural development, using the expression “sustainable rural development”. The European charter of Small and Medium Enterprises imposed the EU member states to support and encourage the sector of small businesses. In the same time, the international institutions discuss about the quality of development through the policies of sustainable development. For Romania, it can be said that the SMEs sector is the key of the triple of the sustainable rural development: economic, social, environment. But the analysis of evolutions of the Romanian SMEs points out some progresses but also many deficiencies in accessing the financing sources and investment. Besides, the European integration process will generate new challenges for the Romanian SMEs sector.

MATERIALS AND METHODS

The theoretical elements which represent the base analysis of this paper combined the issues from four fields, as follows:

- Rural development;
- Sustainable development;
- Investment;
- SME sector.

In practice, we consider that the problems involved by three fields can not be divided, they should be solved concomitant and they imply the same wide “circle” formed by the European integration process and the economic globalization.

The rural development become at presents more and more a global priority which is considered to be more than a simple rural policy. It can be noticed the increase of the interest for a rural “modus vivendi”, which incorporate the idea of the economical and social economic cohesions, using all the abilities of the modern urbanism but with a reinsertion in nature based on the environment protection. It is interesting to investigate the European model and the American model for the rural development.

The European Union (EU) treats the rural development as an essential part of the model of European development and the ***Common Agricultural Policy*** (CAP) is one of the most important and expensive European policies [8]. For United States of America (USA), ***the United States Department of Agriculture (USDA)*** is committed to support the improving of the economy and quality of life in all of rural America and the financial programs of the USDA touch rural America in numerous ways [9].

The sustainable or durable development (presented by United Nations through the Report Brundtland in 1987) become a major component of the policy sustained by major international organizations involved in monitorizing and modeling the national or global evolutions for all world states. The Brundtland report highlights three fundamental components to sustainable development as followings: Economic growth; Environmental protection; Social equity. [10]

The impact of ***the SME sector*** has to be considered a complex one, involving economical, financial, social, cultural aspects. First of all, for the developed countries from Europe and for the Eastern and Central European countries, small businesses have to be considered a force capable to lead to a better allocation of the resources and to generate new jobs for those who lost them as a consequence of the restructuring. The European charter of Small and Medium Enterprises (adopted by the European Union’s leaders in 19-20th June 2000) considers that small businesses are the backbone in Europe’s economy.

We consider that the starting point is the developing of the SME sector because at this level, every individual is involved in the innovation activity, increase the responsibility and competitiveness, and this is the beginning for registering progresses at the level of communities, regions, states and the whole world. In this context, a major role is played by *the investment* which can support the firms in acquiring the competitiveness in order to face the competition from the European market.

For presenting the statistical data for Romania, there were used the official information, several reports and analysis regarding the rural development in the context of European integration.

RESULTS AND DISCUSSIONS

In 2004, in Romania were about 450,000 SMEs from which 20.3% activated in the rural area. The number of SMEs which have been activated in Romania in period 1998-2004, in rural environment, has been maintained relatively constant (63,957 in 1998, respectively 63,944 in 2004). The comparison between the activity of the Romanian SMEs and the European ones points out many differences. (*Table 1*)

Romania is less developed in the important economy sectors such as: industry, agriculture, constructions, transports, tourism and services. In the transition period, the SMEs were more developed in the trade activities.

Table 1. The structure of SMEs in Romania and European countries - by activity sectors [5]

Countries/ Activity Sector	Romania	EU 10	EU 19
Industry, Agriculture, Construction	16.9	28.0	25.0
Commerce	63.0	19.0	25.0
Tourism	0.5	5.0	6.0
Transports	3.6	12.0	6.0
Other services	16.1	36.0	30.0

At the national level, there are still strong disparities between urban and rural areas with regard to the number of SMEs per 1,000 inhabitants. Thus, if cities have approximately 20 SMEs/1,000 inhabitants, the rural areas have only 9 SMEs /1,000 inhabitants, resulting a national average of 17,5 SMEs/1,000 inhabitants, three time less then the European average, i.e. 52 SMEs/1,000inhabitants. [2]

There are both objective and subjective reasons for such situation. The objective reasons consist in the inadequate infrastructure (roads, water and sewage, etc.). and basic services that support businesses in Romania. The availability to support small businesses is particularly poorly developed, especially in the area of quality and in professional areas like finance. Another objective reason is the lack of financial resources for the rural population. This situation could be improved if others conditions as stimulation of the temporary migration abroad or the increase of the pensions for the ageing farmers would be implemented.

The subjective reason is related to the rural mentality in conformity with for good life standards everything should be and can be produced in their own property. This is the reason because the development of the education and training for the population from the rural area is very important. Thus, the increasing of the life standards in the rural areas will determine the population to be less dependent on agriculture and to need new job's qualifications. These will attract the employees from the agriculture activities and therefore the SMEs would be ideal for offering such types of services.

The analysis of the rural SMEs reflects the relatively reduced capacity thereof to meet the requirements regarding availability of jobs for the rural population, both due to the small number and to the structure by number of employees. At national level there is noticed a high asymmetrical distribution of the SMEs, a majority of micro-enterprises (94.5%) and within such, especially, of the companies without employees (68.1% of the total unit registered). The firms that, theoretically, have a greater potential of job opening, those of small and medium enterprises, are reduced in number. The medium SMEs (with 50-249 employees) represent only 0.9% and the small firms (with 10-49 employees) represent 4.6% from the total rural SMEs. [4]

The most rural SMEs were created in the field of trade (48.6%), followed by the manufacturing (19.6%), agriculture (9.8%), tourism (7.2%), transports (5.9%), constructions (3.3%), services (5.3%) and extractive industry (0.2%) (*table 2*).

The initiatives for creation new SMEs are oriented towards the trade sector because this involves reduced funds, shorter periods for covering the investment, and reduced experience in management.

The SMEs in the rural areas operating in the non-agricultural sectors represent 16% of the total non agricultural SMEs and are mainly operating in handicraft production, rural tourism, agro tourism, agricultural raw materials processing, transport etc. These businesses have a positive impact on the rural communities and contribute to the growth of the areas.

However, these rural non-agricultural activities remain low and most of the businesses are micro enterprises. [3]

Table 2. The situation of rural SMEs – by activity sectors [11]

Activity sectors	Number of rural SMEs	Weight of SMEs by activity sectors
Extractive industry	230	0.25
Manufacturing	17971	19.65
Agriculture	8924	9.76
Constructions	3041	3.33
Trade	44477	48.64
Tourism	6570	7.18
Transports	5354	5.85
Services	4873	5.33
<i>Total</i>	<i>91444</i>	<i>100.0</i>

The analysis of SMEs in the rural areas showed a relatively low capacity of SMEs to provide additional employment for the local village populations, due to their inability to grow and the available skills. In that sense, an important role is played by the persons who come back from urban areas to the rural ones. In general, they have a higher education level and are qualified in many industrial jobs but which can be adapted to the needed jobs for the rural communities.

As alternatives to occupation in agriculture, besides raw materials processing, there are opportunities in tourism, agro-tourism and handicraft, all having high development potential that can be further developed. During 1998-2004, developments in tourism infrastructure provided a 5.8 times increase in the number of tourist units, generating 28,000 accommodation places. [6]

The unsolved issues of the rural area, coming from the impossibility of satisfaction of the basic needs, including the poor development of basic infrastructure as well as basic services have impacts on the overall growth of the areas, their contribution to development and the improvement of living standard for the population.

The Romanian SMEs sector will be affected by the EU accession process and the rural SMEs sector will be the most sensible to these changes. Concretely, the Romanian sector of SMEs will be confronted with many serious problems after accession [1], such as:

- the low average productivity of a Romanian SME (19 times less than the European average);
- many competitive fields at present will have to be restructured (textile industry, wood industry and furniture industry);
- it is possible an increase of the salary's costs (during a period of 6 months – 2 years), a relatively decrease of the buying power of population which will determine a stagnation of the demand for industrial products;
- it will persist the reduced power of absorption for the European funds (10-11% from the post-accession funds, taking into consideration the experience of the member countries);
- the increase of the immigrants flows from the zones with difficulties;
- the most difficult consequence: after accession, 60% of the SMEs will get bankruptcy.

Romania's government admits the importance of the SMEs sector as a basis for the rural development of a modern, dynamic economy. Therefore, the Romanian rural communities should develop the abilities of attracting and exploiting the investment supported by EU, based on the offered opportunities. Concretely, Romania will beneficiate

by the financing through the *EU rural development policy 2007-2013*, as is shown in the Table 1. [3].

Table 3. The financial package for Romania 2007-2009 (million €- 2004 prices)

Elements	2007	2008	2009	Total
Financial allocations				
Agriculture –market measures	249	244	239	732
Agriculture – direct payments	0	405	476	881
Agriculture – rural development	606	808	1010	2424
Sub-total agriculture	855	1457	1725	4037
Structural Operations	1399	1972	2603	5973
Internal existent policies*	244	248	252	744
Institutional Development*	26	17	8	52
Sub-total Internal policies	270	265	260	796
Total allocated	2524	3693	4588	10805
Estimated payments	1124	2220	2864	6208

The aquis regarding the *market measures* will cost 732 millions € in the period 2007-2009. The *direct payments* for the farmers sum up 881 million € for the period 2007-2009 and they will be introduced gradually during a period of 10 years from the accession moment starting with a level of 25% from the actual level of EU15. The budget forecasted for this component sum up 881 millions € during the period 2007-2009. Even the level of direct payment applied to the 10 new member states in 2007 will represent 40% from the EU15 level; this level was not offered to Romania and Bulgaria in order to not put in danger the process of restructuring and consolidation of the exploitations. The fast restructuring of the agriculture and food sector request an optimum equilibrium between the direct payments and the measures of rural development and this is why the Commission propose a massive supply of funds in the rural economy.

The package for supporting the rural development sums up 2242 millions € in the period 2007 – 2009. At this package, Romania should add its part of co-financing which will raise the total value of the package to about 3000 millions €.

The result is a total of **10.8 billions** € for the budget allocated for Romania in the period 2007-2009, but this amount can not be used totally in the same period. Concretely, it is estimated a payment volume from this budget of 6.2 billions €.

The expenses per habitant in 2009 (the third year from ascension) are estimated at 205 €. For comparison in the 10 new member states in 2006 (the third year from ascension) will be of 225 €. Anyway should be taken into consideration that from the view of GDP weight, the funds allocated to Romania in 2009 will represent 7.1% from the GDP in that year while the average for the ten new member states will be only 3.3%. While Romania will have to pay to the EU budget about 1% from the national GDP, it will get seven times more, so Romania will be a net receiver of community funds [7].

CONCLUSIONS

The analysis of the rural SMEs sector in Romania confirm the idea that the enlargement of the EU to Central and Eastern Europe will bring a number of heavily agricultural and relatively poor economies into the EU and the rural development policies need to be

encouraged socially, politically and financially. The Romanian SMEs sector will be affected by the EU accession process and the rural SMEs sector will be the most sensible to these changes.

The solutions for the small rural Romanian enterprises in order to face the competition from the European market and for the sustainable rural development consist on the improving the access to the information, services and financing, including the financing through the structural European funds. Also, it should be increased the international competitiveness of the SMEs by supporting the modernization investments, the alignment of the SMEs' product and services to the quality requests imposed by the European Union; the developing of the infrastructure for business through an adequate business environment.

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