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Entrepreneurship in the Romanian Rural Areas. Case Study: Suceava County

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ABSTRACT

Rural development relies on the natural resources existing in a particular area. Thus, it multiplies and develops these resources and, provided that they are used in a sustainable way, it consolidates rural economy. The main objective of our paper is to analyse and assess the various types of rural entrepreneurship and the extent to which the development of business entrepreneurial spirit is a premise for the economic and social development of Romanian villages. The base assumption in our analysis is the axiom stating that there is a correlation between rural development and rural economic growth only when the leveraging of rural resources results, directly or indirectly, in the creation of economic activities (both traditional and innovative) and in added value. The proposed topic aims to provide an overview of the types of business currently developed in the rural areas in Suceava County, based on statistical data from the Romanian Company register and on their development outlook for a short and medium term. The conclusion of our approach – consolidated, following previous research – is that entrepreneurial spirit, regardless of the environment, can change through knowledge; if pursued constantly and addressed responsibly by all the stakeholders of local economic development, knowledge determines the premises of the emergence of a shift in the collective mindset towards a higher evolution that is open to performance and welfare.

1. INTRODUCTION

The rural areas of Romania seem to be facing three major challenges and, tangentially, these challenges also influence local entrepreneurship.

The first one is the declining employment opportunities in the primary sector (especially agriculture) as a result of structural change (migration, financial crises, etc.), exacerbated by the pace of legislative changes that the rural population cannot keep up with. This highlights the need to address the stimulation of economic activity in agreement with the employment potential of rural areas.

The second challenge is the accelerated aging of population, associated with youth emigration and the immigration of retirement-age residents, again, in part, a social phenomenon that affects the supply of potential entrepreneurs.

Finally, there is a difficulty to maintain a critical mass of facilities to support economic development.

All of this is balanced by several opportunities such as the potential to develop diversified agricultural industries and increasingly popular rural tourism, in addition to developments in technology that enable access to areas presenting potential at the periphery of rural areas, which can surmount the barrier effects of distance, and the access to new attractive spaces for tourists.

It is important to note that essentially rural entrepreneurship does not differ from its urban counterpart. Rural entrepreneurship can draw on a unique local blend of resources, whether within or outside agriculture. This can be achieved by broadening the business base of a farm in such a way as to leverage all the non-agricultural uses of resources, either by

major changes or at production level in many other areas outside agriculture. Therefore, the rural entrepreneur must always be ready to live in the countryside and to contribute to local welfare [1].

To a certain extent, however, the economic purpose of an entrepreneur and the social purpose of rural development are more interconnected in rural than in urban settings. For this reason, rural entrepreneurship is mainly based on community features, strong and extended family ties, and exerts a relatively large impact on rural communities [2].

Among the arguments in favour of entrepreneurship in rural areas, we would like to mention several studies [3], which performed forecasts of trends in employment in the post-crisis EU, on a medium term (by 2020) in the context of job demand.

Analyses forecast a continued shift from the primary sector (agriculture mainly) and the processing industry towards services and knowledge-intensive sectors. Even though in the Romanian rural area firms do not have appropriate access to information, knowledge-based business, which are booming across the world [4], have low environmental impact and present major opportunities for rural job creation. They include: financial services, tourism, the processing industry, construction, trade, transport, and communications.

2. THEORY AND METHODOLOGY

Our research aimed to outline certain effects of entrepreneurship in the rural areas in Suceava County, and the time reference chosen for this snapshot of conditions was 2009.

The instrument used was a statistical one. We employed the data provided by the Company Register, the selected statistical information system focusing on the number of firms in the commune, which is the most analytical level at which data can be retrieved from official statistics.

The use of such an approach in demarcating the rural area of Suceava County enabled the identification of disparities in social and economic development and a much more nuanced mapping than one could do at the administrative-territorial county level, since the territorial limits in the unfolding of particular economic processes and phenomena rarely coincide with county boundaries.

The advantage of our approach, focusing on the most basic territorial administrative entity (the commune), consists in the ability to integrate and maintain the expected development of the Suceava countryside within the coordinates provided by traditional rural regionalism, expressed through history, administrative operation, traditions, and the local culture of the communes. We believed that all these would be best captured at a detailed level of

analysis, reflected in detailed maps at commune level of a number of various non-agricultural activities.

The disadvantage of the statistical examination of a single indicator - the number of firms/commune - is diminished by encouraging results even at this level of analysis, indicating the increasing number of non-agricultural firms in rural areas, clearly emphasising the changes in people's entrepreneurial attitude in these areas.

We highlight some potential results of our study:

a). The identification of the specific forms of manifestation of the non-agricultural phenomenon, through the analysis of the proposed indicator, accompanied possibly by a further indicator, i.e. the number of employees/firm, may serve as the basis for analysis and synthesis of new rural typologies, in which the economic functionality arising from the land use/level cover model no longer holds the same relevance as before, as now rural profiles generated by delocalisation and non-agricultural economic activities are gaining primacy.

b). The generation of local attractiveness hubs, which relieve the urban areas of labour migration and greatly improve the level of rural development and quality of life in the area.

3. RESULTS AND DISCUSSION

According to findings of research conducted last year in rural areas in Romania, the social profile of self-employed workers (merchants, craftsmen) alongside the profile of farmers was slightly different: they had the lowest rate of computer and Internet use, the least knowledge of foreign languages, they rarely contracted bank loans, and almost half the interviewed farmers personally sold agricultural products or livestock at markets [5]. The overall rate of new firm creation was almost similar in most countries. High rates of firm creation were recorded in Central and Eastern Europe (Romania, Slovakia), following the period of growth recorded until 2008 and the restructuring subsequent to EU accession, but they diminished visibly since 2009 [6], [7]. Entrepreneurial momentum still existed, yet firms were either closed or declared bankrupt in the first year after establishment. For Suceava County, the approach to knowledge-related business activities was a visible presence, surprisingly even, given the rural context and the conditions faced by Romania at this moment. Admittedly, the situation described below refers to the period prior the economic crisis.

We have detailed below four areas of business:

- financial intermediation and insurance;
- information and communication;
- transport and warehousing;
- hotels and restaurants.

3.1. Data for the financial intermediation and insurance field

The field includes financial intermediation, except insurance and pension funds, insurance, reinsurance and pension fund activities (except for public compulsory social security system), and auxiliary activities of financial intermediation, insurance and pension funds.

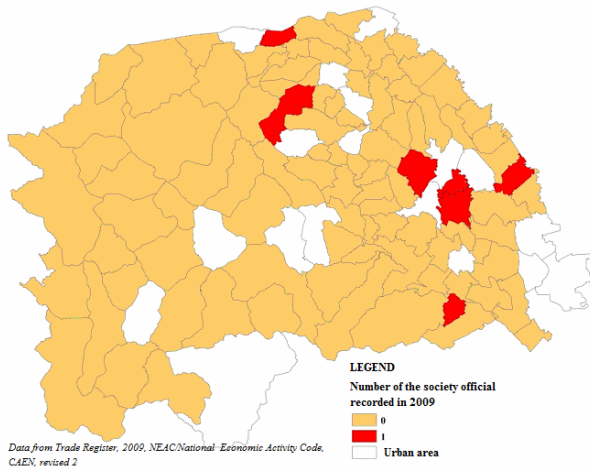


Fig. 1. Distribution of financial intermediation and insurance business in rural areas of Suceava County.

This type of activity is located, generally, in the eastern half of the county and in the proximity of cities (Bilca, Marginea, Șcheia, Ipotești, Bosanci, and Verești recorded one company each). The situation is somewhat natural, since, in rural areas situated near cities, there was a practice of registering companies in the rural area, even if they conducted operations in the urban ones. However, factoring in the conditions of rural Suceava, as the above-mentioned villages ranked above the regional average in rural development, this situation created an opening up of the outlook of entrepreneurs towards a new and prolific market.

3.2. Data for the information and communication field

The field of information and communication includes publishing, production of film, video and television broadcasts, sound recording and music editing activities, telecommunications, in addition to information technology service activities and computer services.

The development recorded for these activities in rural areas of Suceava anticipated a growing interest for knowledge-based and computer-based business, especially since distribution across the territory did not necessarily indicate proximity of communes featuring such activities to cities.

This category also included telephony and cable operators, with ever expanding rural coverage both in territorial and quality terms. Thus, one

company was registered in the following communes: Adâncata, Baia, Bosanci, Botoșana, Breaza, Brodina, Capu Câmpului, Cârlibaba, Cornu Luncii, Crucea, Dărmănești, Frătăuții Noi, Horodnic de Sus, Iaslovăț, Mănăstirea Humorului, Pătrăuți, Putna, Sadova, Straja, Stulpicani, Volovăț, and Zvoriștea.

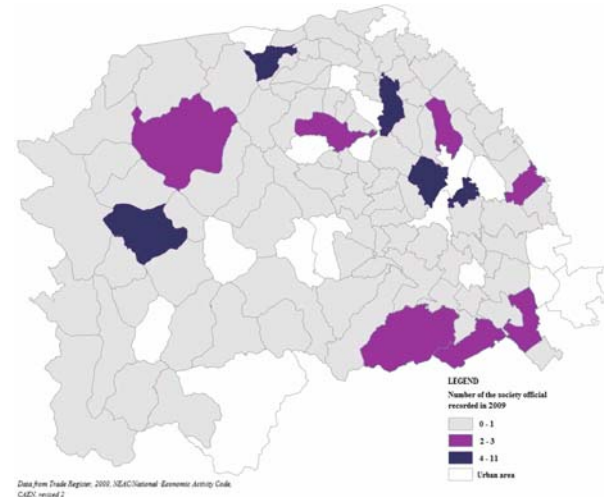


Fig. 2. Distribution of information and communication business in rural areas of Suceava County.

At the opposite spectrum, there were 11 companies operating in Șcheia Commune, located just outside of the city of Suceava. Of course, Șcheia Commune was an interesting exception in the rural areas, since, although it met the conditions to acquire town status, it has repeatedly refused to change its status.

Four firms were located in Vicovu de Jos, Ipotești, Grănicești, and in Fundu Moldovei, and 2-3 firms each in Forăști, Arbore, Boroaia, Mitocu Dragomirnei, Modovița, Râșca and Verești, the whole picture indicating an increase in the number of people who, in various forms, worked in this area and were based in a rural location.

3.3. Data for the transport and warehousing field

The development of outbound foreign temporary migration or seasonal work in Suceava, led, among other things, to the development of passenger transport by numerous specialised firms, established in both urban and rural areas. As a result, in addition to passenger transport, freight transport firms in rural areas (Horodnicu de Jos, Volovăț, Iaslovăț, and Arbore or Scheia) provided freight transport services, especially for construction firms.

The examination of transport and warehousing business complemented and emphasised the more diverse outlook of the eastern part of the county compared to the western: there were eight companies along the axis of the Suceava Valley, including the area around Rădăuți and Suceava, where over 20 companies

conducted such activities. In fact, local firms were known for their association with construction firms in the villages of Bosanci (43 de firms), Ipotești (17), Scheia (21), Marginea (34), Volovăț (22), Iaslovăț (24) and Arbore (21), in the central-eastern part of this county.

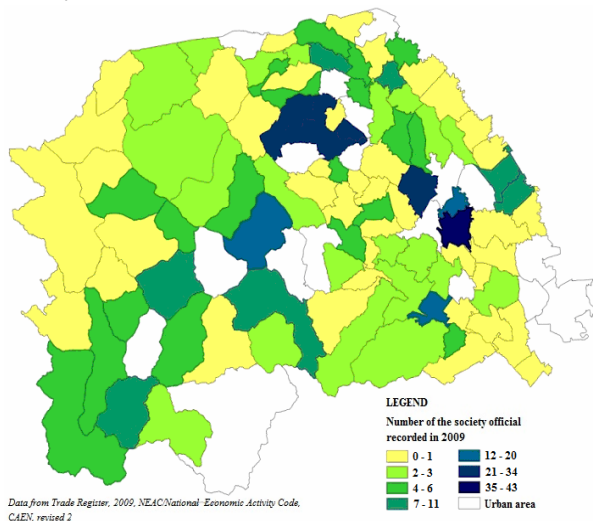


Fig. 3. Distribution of transport and warehousing business in rural areas of Suceava County.

In these communities one may say that there is an optimal relevance between the overall development of villages and representative number of firms in the respective territorial administrative units, as the economic process of development of transport and warehousing in rural areas has been associated since 1990 with the construction boom and development of increasing exchanges of the residents with companies in Germany (in particular) as well as in Austria and in Italy, with which cooperation links have gradually been established.

3.4. Data for the hotel and restaurant field

As it is a region with large and diverse tourism resources, Suceava County has increased visibly in tourism firms located in its rural areas.

Tourism development associated with the monastic cultural space (yet not limited to it), generated non-agricultural activities related to this phenomenon, a situation confirmed by the high number of hotels and restaurant business: 75 family-owned firms, 108 sole proprietorships, 66 self-employed persons, 1 joint stock company, 3 CNS and 512 limited partnerships recorded as operating during 2009 across Suceava County. For rural areas, the situation is shown in the map below.

Even though they determined a particular specialisation in tourism and related service activities for the communes of Sucevița, Moldovița, Vatra Moldoviței, and Putna, they also formed the background for the development of Suceava's countryside (such as, for example, mineral water spring

and dairy business in the Dorna area) that harnessed both natural and tourism-related resources.

A detailed analysis of the hotel and restaurant field in the rural Suceava indicated, first of all, the existence of communes with a large number of firms providing restaurant and accommodation services (more than 20 companies/commune): the communes in the area recognised for its tourism development potential, namely Pojorâta (32 retail firms and 29 hotel and restaurant firms), Poiana Stampei, Panaci, Cârlibaba on the one hand, and the communes in the area with cultural potential: Sucevița (31 hotels and restaurants), Putna (23 hotels and restaurants), Humor monastery (38 hotels and restaurants), Vama (24 hotels and restaurants), on the other hand.

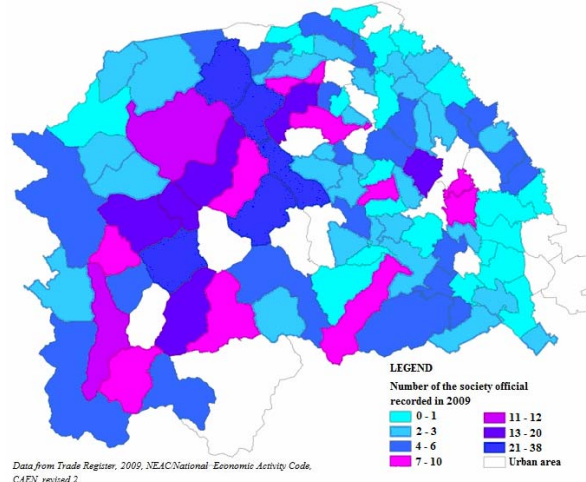


Fig. 4. Distribution of hotel and restaurant business in rural areas of Suceava County.

A second tier included the villages with 13 to 20 restaurant and accommodation service providers (Sadova, Vatra Moldoviței, Fundu-Moldovei, and Dorna Arini) where white tourism was dominant due to ski areas, followed closely by Moldovița and Dorna Candreni Communes with the same prospects yet fewer firms.

4. CONCLUSION

The sustainable development of the rural communities in Suceava, analysed from the perspective of non-agricultural economy, is a reality nowadays, a process in full swing, triggered by the local and regional policy makers' awareness that the balance between economic activities and the environment is crucial for wellbeing and quality of rural life. The process we are referring to will undoubtedly continue to unfold and adjust on the go to the variables of the sustainability equation. Surely, beyond the attempts to capture an economic reality, in an age where the research community argues for assessment anchored in sustainability, we wonder whether administrative units are still subject to directions of sustainable

development or remain only areas that reflect the mosaic of contemporary development in its relentless flow.

The purpose of our attempt to identify and map the knowledge-based business in the county (financial services, tourism, manufacturing, construction, trade, transport, and communications), has led to the formulation of several conclusions. What has emerged, first, is a certain kind of representation of communes who have developed by now traditional non-agricultural activities, a situation reflected by the existence of firms with profiles matching the area resource pool: a large number of companies engaged in forestry activities in the mountain area, processing of building materials (clay, limestone) for construction purposes, crafts, handcrafts, and tourism (Marginea, Voitinel, Gălănești, and Șcheia).

The detailed analysis of the level of development of non-agricultural activities in the county has highlighted the development of certain activities (reflected by the large number of firms) in the communes crossed by major roads and railways of national and European interest:

- activities related to tourism services, transport, warehousing and the processing industry developed mainly owing to the rural food industries, primary wood processing and to the mineral water bottling (Pojorâta, Vama, Dorna Candrenilor, and Poiana Stampei);

- the association of bivalent communication axes (road-rail), mandatory crossings and passes (Mestecăniș, for example) has often enhanced the development of services activities such as hotels, restaurants, other services, etc.

A further category includes communes for which the indicator number of companies/commune is not particularly relevant for the development of non-agricultural activities and the employment rate. As with any analytic indicator, a lower number of companies is not necessarily linked with lower development of the sector.

The last category consists of communes with few companies in a given profile not because the activity has not developed (in terms of number of firms), rather because existing firms have territorial monopoly (wood processor and food industry firms in: Fundu Moldovei, Moldovița, Vatra Moldoviței, or in Dorna Candrenilor).

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