EFFICIENT MANAGEMENT OF SMALL AND MEDIUM SIZED ENTERPRISES FOR A SUSTAINABLE DEVELOPMENT OF RURAL ENTREPRENEURSHIP

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Abstract: The present paper presents aspects of the management of small and medium enterprises in agriculture and services, in order to create a concrete analysis framework for sustainable development in rural areas. Socio-economic analysis based on current data and future forecasts are the basis for drawing conclusions on the possibilities of encouraging a sustainable entrepreneurship in less developed regions and also for economic revitalization.

Key words: entrepreneurship, SME, management, rural

INTRODUCTION

Entrepreneurship is a concept that gains more and more intensity in the terms of a new economy. In various fields, entrepreneurs established new firms, in the wish to try their luck on both internal or international markets.

Even with drastic conditions, imposed by the current economic climate, deepened by the crisis, we find that there are new companies that appear and a newer tendency is to "migrate" from the city to rural areas, in the very idea of attempting a revival of the countryside. And small businesses can be a factor with an increased significance, in the wish to transform the rural areas into an advanced business environment.

To start a business in a rural area can be both an advantage and a risk. Entrepreneurs assume this risk by establishing new companies that in time generate new workplaces. Therefore, rural entrepreneurship can become also a tool to combat unemployment and lack of jobs in specific regions of the country. Positive consequence will be to ensure economic growth that is meant to be really sustainable for future continuity of those activities.

Adoption of new elements belonging to the technological environment at the same time facilitates economic progress, maintaining a steady pace of activity and generating higher productivity.

MATERIALS AND METHODS

In preparing this paper, the main instruments used were the official statistics provided by reliable sources, but we also tried to approach literature in an attempt to illustrate with the greatest possible fidelity, the current situation in the Romanian companies.

An essential part of the work is represented by its legal aspects, which include illustrating the role, functions and major tasks that an administrator of a small or medium sized enterprise may encounter while doing his work.

The graphical and tabular images include data offered by the National Statistics Institute, or the National Office of Register of Trade, accompanied by interpretation of the authors on the overall development of these indicators.
RESULTS AND DISCUSSIONS

Development potential available in the case of Romania is an important one, which can be exploited by applying appropriate strategies in areas identified as being cost effective and yet underdeveloped until now.

One such area is rural economy in general and agriculture in particular, areas where there are resources, but they are insufficiently known or used at the proper potential.

Rural areas represent a not enough valued resource, they cover about 87% of the country, and approximately 45% of the total population. The general trend is a steady decrease in the number of inhabitants in rural areas and a still continuing expansion of the urban environment.

Labor force in agriculture and forestry, according to the latest data provided by the National Institute of Statistics, totalize about 19% of total employment, while the European Union we meet much lower levels: 4.7% on average of EU and the rest ranging from 5.5% in Hungary to 14.7% in Bulgaria.

However, Romania’s rural areas are characterized by an aging population, and the educational level is much lower than in urban areas. Poverty is high and the vulnerability of these regions increases together with a decreasing income level, rising unemployment and an aging population. The share of agriculture in the rural economy is about 60%, rural economy representing a primary one. As the share of agriculture in the gross value added, Romania has the highest value in this category among the 27 EU states at this criteria.

The dimensions of the activity of SMEs at national scale place this category in the total number of companies with the specification that their number represents between 95 - 97% of all enterprises, amounts recognized at both the European level and at national level (Source: provided by the OECD, Eurostat, National Statistical Institute). Official reports place this category of businesses in the area of the main provider of jobs and economic development. They are the ones that determine the level of competition in the market, as well as strategic dynamic pricing, product quality or even promotional trends.

Regarding SMEs, the policies in this field are also an integral part of the overall development policy, both regarding the business area and the regions.

![Number of active SMEs in Romania](image-url)

**Fig. 1 Number of active SMEs in Romania**

*Source: the Governmental Strategy for SME sector development, Ministry of Economy, Trade and Business*

In the period 2004 - 2010, we observe a fluctuation of the overall number of active small and medium sized enterprises. The peak was reached in 2008, when the total number of SMEs increased to 553,206 nationwide. This value, however, experienced a slight
decline in 2009, decreasing to 540.185. The lowest value was reached in 2010, when on the basis of the flat tax introduction during the year before, many companies have not faced confrontation with a new tax system. The economical decline of small and medium sized entities was boosted by the economic - financial crisis, which served as a filter for efficient firms. However, considering the above data, we can see that at the end of the study period, the number of active SMEs is significantly higher than during the base year, between the two parts there is a difference of almost 90,000 entities.

![Distribution of SMEs by size class](image)

**Fig. 2 Distribution of SMEs by size class**

*Source: The Guvernmental strategy for SME sector development, Ministry of Economy, Trade and Business*

From the chart above, we can conclude the following: due to the general fluctuation of the number of active SMEs in the Romanian economy, we observe the same instability depending on their size distribution. The largest share in the category belongs to micro SMEs, which account for almost 90% of the total. They are followed by small enterprises, with values ranging between 8.5% and 9.6%, the last position belongs to medium enterprises, fewer in number.
We conclude that from the total Romanian enterprises of small and medium-sized category, the largest as number of entities remain those that belong to the sector of services. Agriculture and forestry sector is only on the last place in the overall ranking of SMEs, the evidence that this type of business is not as well developed, although compared with the value according to the year 2004 we may record a little progress.

Whether we talk about SMEs in the sector of services, whether we refer to those in agriculture, the Company Law no. 31/1990 republished and also the Commercial Code and the Law no. 82/1991 sets out a number of obligations of the manager of an SME. According to the above law, these obligations are mainly the following:
- Acquisition and retention of documents establishing the creation of the enterprise;
- Monitoring of legal transactions in connection with the establishment of the company in question;
- Management of operations of employment for the workforce;
- Establishment of the work program;
- Checking the decisions of shareholders;
- To take part in the meetings organized;
- To keep track of the property that the company has got;
- To check payments;
- To keep records required by the relevant bodies.

Duties of directors are found in the constitutive act of the company. According to regulations, it must include the following elements:
- Date of the shareholders, be they natural or legal persons;
- Details of the share capital of the company concerned, mentioning the contribution that each shareholder has it all;
- Name of the company, its location, and legal form;
- The shares of each shareholder;
- Obligations of the administrator;
- Number of locations and their address;
- Arrangements for the liquidation of the company.

### Tabel 1

Number of registrations of new companies in the field of activity in 2010 and 2011

<table>
<thead>
<tr>
<th>Industry</th>
<th>2010</th>
<th>Rate</th>
<th>2011</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>20.444</td>
<td>17.2%</td>
<td>20.432</td>
<td>15.7%</td>
</tr>
<tr>
<td>Industry</td>
<td>7.328</td>
<td>6.3%</td>
<td>8.761</td>
<td>6.7%</td>
</tr>
<tr>
<td>Energetic field</td>
<td>1.291</td>
<td>1.1%</td>
<td>1.854</td>
<td>1.4%</td>
</tr>
<tr>
<td>Constructions</td>
<td>8.346</td>
<td>7.1%</td>
<td>12.059</td>
<td>9.2%</td>
</tr>
<tr>
<td>Commerce</td>
<td>35.320</td>
<td>29.7%</td>
<td>37.336</td>
<td>28.7%</td>
</tr>
<tr>
<td>Transport</td>
<td>5.836</td>
<td>4.9%</td>
<td>7.317</td>
<td>5.6%</td>
</tr>
<tr>
<td>Hotels &amp; restaurants</td>
<td>5.581</td>
<td>4.7%</td>
<td>6.179</td>
<td>4.7%</td>
</tr>
<tr>
<td>Information and communication</td>
<td>5.670</td>
<td>4.8%</td>
<td>5.950</td>
<td>4.5%</td>
</tr>
<tr>
<td>Other services</td>
<td>29.232</td>
<td>24.6%</td>
<td>30.274</td>
<td>23.3%</td>
</tr>
<tr>
<td>Total</td>
<td>119.048</td>
<td>100%</td>
<td>130.162</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Source: Government strategy for SME development, the Ministry of Economy, Trade and Business Environment*

We are facing a negative trend in terms of new registrations of companies in industry, agriculture recorded a decrease from year to year, although the number of companies ranks third in the overall new registrations of companies. In accordance with Law no. 31/1990, approved forms as the creation of companies are as follows:

- **SRL** - limited liability, whose obligations are insured under the social heritage. In this case, under the conditions laid down in the Constitutive Act, the share capital is divided into several parts;
- **SA** - joint stock company - capital is divided into several equal parts or actions that can be negotiated. Leadership, in this case, is provided by the Board of Directors, and AGA (General Meeting of the Shareholders);
- **SCA** - companies limited by shares - in which case capital is divided into shares of equal parts or can be negotiated. Social obligations of the associates are guaranteed with unlimited joint and several liability of general partners and associates social heritage;
- **SCS** - limited partnership: the case of social obligations will be guaranteed by social heritage and unlimited joint of several liability company trainers or the associate partners. Liability is limited. But they have access to the company's balance sheet or profit and loss account.
- **SNC** – case that guarantees that social obligations are achieved by ensuring social heritage. The minimum number of shareholders required by current legislation is at least 2. Capital may be very small, consisting of input members, split into equal shares or negotiable.

Analyzing the cash income during 2005 - 2011, we find that the structure has not changed very much. During 2005, gross wages had a share of 59.4% in total revenues, which decreased to 58.8% in 2011. The decrease is not large, maintaining the trend in terms of income from agriculture also, which decreased from 5 to 3.3%, and income from non-agricultural activities where the peak of 4.1% in 2005 decreased to 3.3 in 2011. The
only category that recorded revenue growth is that of social benefits, where we see an increase of 5 percent, from 25.7% in 2005 to 30.6% in 2011.

In the overall analysis of the situation registrations of new businesses in rural areas, data for 2010 show a slight decrease in the number of registered firms (33,386) compared directly with the level of 2009 (34,188). Comparing rural to urban areas, we find that the difference remains even given the fact that in the urban regions we are witnessing a decrease in the number of new registrations.

**CONCLUSIONS**

The policy regarding SME’s became over time an integral part of regional development policy, which was a driver of the Romanian economy, the main elements generating economic growth. It is important to note however, that this type of business can have major funding sources, both government funding and grants for European orders.

Across the entire European Union there was a great attempt to put focus on rural areas, in the idea of a more intense sustainable development. Therefore, agricultural support has been enhanced by a number of other benefits, aimed at encouraging rural entrepreneurship activities.

The latter activity is regarded as a beneficial element for rural areas, taking into account the effects it may cause, the most important being to reduce unemployment.

With the country's population migration from village to city, there was a general downturn of the activity, but agriculture still remains the main source of income and at the same time the core business. However, entrepreneurship is still in many cases only in draft form, because a number of factors discourage potential entrepreneurs. We're talking on the one hand the fear of risk, but also the lack of initial capital to start a business.

At the same time, we can mention that in Romania, entrepreneurship can be developed through active involvement in developing training, information sessions and development of managerial skills of potential entrepreneurs. Examples of good practice, a national benchmarking and exchange of experiences with other countries can contribute to the development of the Romanian business environment.

However, beyond the negative parts about the lack of funding, lack of knowledge in the field or just the initiative and courage, is observable the bureaucracy criteria, which often causes the interruption of activities, regardless of the field.
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