ECONOMIC RESILIENCE AND ENTREPRENEURSHIP
- RURAL ROMANIA CASE STUDY -

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Abstract: In the last decades, the debates quite often focused upon the entrepreneurial economy; the researchers demonstrated that the high levels of entrepreneurial activity can have positive effects upon job creation and economic growth. The entrepreneurship became an instrument for the economic development in rural areas, too. Romanian rural area evolved in a dynamic and complex environment, in a continuous change and subject to constant pressure generated by external shocks such as: shifts of development paradigm (transition from communism to capitalism, joining the EU), economic and financial crisis, natural / ecological disasters etc. 'Resilience' is a developing concept, which has been empowered to examine economic performance and responsiveness to exogenous shocks. In this context, the aim of this study is to examine the relationship between economic resilience and the changes in Romanian business environment under the impact of two recent important events: EU joining and last economic crises. The article concludes that the optimism generated by Romania’s joining the EU and the new funding opportunities were fructified by the Romanian rural entrepreneurs and the resilience of the rural business environment is very much connected with the economic usage of the rural primary resources.

Key words: entrepreneurship, economic crisis, rural area, Romania.

INTRODUCTION

In the modern era, characterized by greater economic dynamism, the private entrepreneurship is an important engine of economic growth and competitiveness (Lafuente, Driga, 2007; Naude, 2008: 2). In the last decades, the debates quite often focused upon the entrepreneurial economy and entrepreneurial capitalism. By their characteristics: innovation, close links with the community, high dynamics, optimum use of local resources, job creation, the small and medium-sized enterprises have a positive impact upon development, mainly at local and regional level (Ișfănescu, 2008). The entrepreneurship became an instrument for the economic and social development in the rural areas.

Rural enterprises, are currently experiencing times of change, exacerbated by the global interdependency and integrated economies (Hudson, 2010). As a result of the challenges, difficulties and rapid changes within the economy and society, the identification and strengthening of those skills required for solving, and overcoming those challenges turned increasingly important (Zaman et al., 2014). If economic resilience means identifying the ways and manners of solving the issues related to increasing the capacity of averting or recovering the negative effects of external shocks (Briguglio et al., 2008), it follows that entrepreneurship will in turn serve as basis of economic resilience (Williams et al., 2013).

In Romania, rural development represents an important national issue due to the relevance of countryside areas: 45% of the Romanian population and 44% from the active population of the country live hire. From this respect, the dynamic of rural business environment have a crucial role for Romanian rural vitality preservation and increase its resilience to regional and global changes.
MATERIALS AND METHODS

The theoretical and practical evidence reveals that the development perspectives of a given area depend on the bi-univocal relation between the size and dynamics of the entrepreneurial initiative, on one hand, and the characteristics of the labour force that is effectively available on the labour market, on the other hand.

The main characteristics of the rural entrepreneurship that enable us to evaluate the stage and development dynamics of the business initiative envisage following main aspects:

1. The capacity of rural population from a certain area to perceive the opportunities of business development and the extent to which it assumes the risks of business initiation and continuation; this is expressed by the dynamics number of employers as a measure of the extent in which the rural area benefit from a favourable economic and social context, which is stimulating for the initiation of new business and the development of the already existing business activities. A positive dynamics expresses the capacity of the existing entrepreneurs to stay into business and a stimulating environment for new entrepreneurial initiatives. On the contrary, a decreasing dynamics highlights the failure of entrepreneurs and it is a direct consequence of the deficient orientation with regard to business opportunities (for example, the initiation of too many businesses with the same object of activity in a small area can lead to the bankruptcy of those poorly capitalized, to the diminution of the success possibilities of a business generated by the change of the economic and social context in which a certain enterprise evolves (for example, a generalized economic crisis (for example, a generalized economic crisis influences the consumers’ purchasing power, these narrowing the solvent demand of goods and services, which negatively impacts their possibility ton sell their products for the small niche businesses or those that do not supply strict necessity goods).

2. Incidence of entrepreneurial concerns in the employed population that expresses the propensity of economically active people to fructify their initiatives and to become independent from the constraints imposed on the labour market; this characteristic is expressed by the indicator: share of employees in the employed population of a given rural area and a higher value of this is associated to a more favourable perception of the successful opportunities of a private business in a given area. The evaluation of the success opportunities in a new business initiation largely depends on the capacity of this initiative funding; this capacity depends on the development level of the rural area. The OECD Report 2006 draws the attention on the fact that the rural firms have to suffer from the poor finance opportunities. It is estimated that funding the establishment or enlargement of the activity of a private rural firm takes place on the basis of funds coming from the entrepreneurs’ own resources, from the family members and from friends. In the poor regions, the potential entrepreneurs and their closest persons are more prone to the risk of having lower incomes and/or savings. For them, funding the business initiatives becomes a difficult mission and the opportunities to initiate a new business are lower.

3. The measure of the entrepreneurship capacity in a rural area to be open, to understand, internalize and even generate innovating models is put into direct correlation with the age of people who initiate a self-employed activity. The structure by age of employers reflect the share that each age category has in total employed population with employer status; this structure provides significant signals with regard to the potential innovating capacity of the employers in a given area. Thus, an age structure of employers where the young people have a greater importance, is associated to greater opportunities to accept innovation, to internalize new ideas of business management, new technical and technological procedures and to generate innovatory ideas due to a larger opening towards risk assumption, which is associated to younger age. The opening to innovation also stems
from the fact that usually young people have a higher educational capital compared to older people and their social independence permits them a much higher mobility.

The measure of diversification of fields where the entrepreneurial initiative is manifested reflects the entrepreneurs’ innovating capacity expressed by seizing and fructification of the new business opportunities at local level. The diversification of the local rural business environment is the symbol of creation of a new stable and sustainable economic structure, which should consolidate a viable economic tissue. The balanced distribution of investments in business in all the activity sectors is a guarantee to the operability of the local economic tissue and to a more efficient use of local resources. On the other hand, the diversification of the rural business environment implies the increase of off-farm job opportunities and the diminution of the rural populations’ incomes dependency on the primary sector of the economy.

The conclusions of the present study are a result of a qualitative and quantitative analysis based on secondary data supplied by the National Institute for Statistics (NIS).

RESULTS AND DISCUSSIONS

Entrepreneurship in rural Romania: evolutions and tendencies

The rural entrepreneurship capacity to actively contribute to sustainable economic growth, to provide jobs and to contribute to the general welfare increase tends to optimization when:

- The total number of entrepreneurs is high and increasing
- The share of employers in the employed population is increasing
- The young people are well represented in the age structure of employers
- The structure of fields where the entrepreneurial initiative is manifested is diversified.

The extent to which the active population of the Romanian rural area perceives the opportunities of business development and it is able to assume the risks of business initiation and continuation had a general increasing trend in the period 2006 – 2009 (even in the first two years of economic crisis - 2008-2009), the number of employers increasing by 13.4%, with a faster growth rate in 2006-2007 compared to previous years (Figure 1). Although it seems contradictory in a period of economic crisis, this increase in the number of entrepreneurs in rural Romania is the result of the stimulating action of the structural funds devoted to support the small private initiatives (start-up included). As a result, the capacity to seize and fructify the local business opportunities seems to increase, the previous argument being strengthened by the fact that the number of employers constantly increased in the transition period. However, the statistical data reveal that the economic crisis effects have also impacted the rural business environment since 2010. As a result, in only three years (2009-2012) 24% of the rural employers withdrew from business.

![Figure 1. Rural entrepreneurship dynamics in rural Romania](Source: own calculations based on NIS data – tempo on-line database, www.insse.ro)
With 2.5 employers/1000 rural inhabitants in 2012, the number of private rural businesses is still far to be sufficiently high so as to determine a steady and sustainable economic growth in the long run. Consequently active measures should be taken to support the private initiative so as to speed up the development of entrepreneurial activities, the more as the general population’s attitude is favorable to private business development.

The incidence of entrepreneurial concerns in the rural employed population follows the evolution of the number of employers in the investigated period. After Romania’s joining the EU in (January 1st 2007), the business environment became more stable and stimulating; the share of employers in the employed population increased from 0.66% in 2006 to 0.75% in the year 2009. We can notice an increase of the perception on the success opportunities of a new private business, which encourages the people with initiative to assume the risk of initiating their own business or under partnership with other people with similar initiatives. But the Romanian rural private entrepreneurs’ enthusiasm, after Romania’s accession to the EU, was cut short by the economic crisis that led to the contraction of demand for goods and services. 24% of the small rural firms did not have enough resources to survive after the demand contraction even on medium term and they had to close down their business after 2009.

The innovative capacity potential reflected by the rural employers’ age structure and the evolution of this structure in time is revealed in Figure 2. While at the beginning of the investigated period the share of employers under 35 years old was about 23.8%, in the year 2010 this indicator reached 28.7%. At the same time, the share of employers older than 65 years decreased from 0.7% at the beginning of the period to 0.3% in 2009. These evolutions indicate a foreseeable process of accelerated rejuvenation of the category of employers in the near future. The above-mentioned phenomenon can have a positive influence upon the entrepreneurs’ appetite for innovation, as the younger employers are much more open to innovation and technological transfer in business initiation, management and administration.

The employers’ age structure, in which the young people have quite a large and increasing share, represent a remarkable comparative advantage for the Romanian rural area, as young-aged employers are associated to greater opportunities to accept innovation, to internalize new ideas of business management, new technical and technological procedures and to generate innovating ideas due to the willingness to assume the risk, which is generally associated to young age. The openness to innovation also stems from the fact that usually the young people have a higher educational capital compared to older people and their social independence permits them a much higher mobility.

Unfortunately, with the emergence of the economic crisis in the Romanian rural area (in the year 2010), the entrepreneurs who succeeded in keeping their business alive
were older people, with greater experience in business. The younger employers (less than 35 years of age) were the first to be affected by the crisis effects; practically, in the period 2009 – 2012, half of these had to quit business. This “ageing” of the rural entrepreneurial body may have negative effects upon the innovative capacity of the private rural initiative due to the elderly generations’ relative traditionalism.

The structure of fields in which the entrepreneurial initiative is manifested in the Romanian rural area reveals a low diversification, being dominated by the economic operators that carry out their activity in the trade sector, mainly in the retail sector. This fact is reflected in the distribution of entrepreneurial initiatives by activity sectors where 39% of employers operate a business in the wholesale and retail sector, 21% in the manufacturing sector, 14% in constructions and other 13% in primary sectors.

The mechanisms of the Romanian rural economy system are not fully functional yet, the rural business structure being still deficient in the area of services – other than retail trade – which should facilitate the development of enterprises in the primary and secondary sectors.

![Figure 3. Structure of rural entrepreneurial initiative in Romania, by activity sectors in the year 2012 – % in total number of employers](image)

In the economic boom period (2006-2009), the invested capital in the private business mostly shifting to the sector of constructions, followed by the trade and transport and storage sectors (Figure 4). It seems that the rural business environment is not capable yet to build up and support a structurally balanced development, not providing sufficient business success opportunities in the following fields: Manufacturing; Agriculture, hunting and forestry; Hotels and restaurants, etc., the number of which decreased in that period.

The development of the constructions sector is largely determined by an increasing demand from the part of the population that invests in the renovation or building up of dwellings and less in building up of support technical infrastructure for business development. What endangers the long-term sustainability of the rural economic system and its capacity to provide job opportunities is the significant diminution of the number of entrepreneurs activating in the sectors of manufacturing; agriculture; hotels and restaurants.

The contraction of the processing (manufacturing) sector of rural economy is equivalent to the increase of the risk to maintain for the rural area the role of supplier of raw products with low processing level or unprocessed, hence with low value added.

The small business in the sector of hotels and restaurants (where the rural boarding houses are included) seems to suffer from the poor promotion and advertising of Romania’s tourism, landscape and traditional rural cuisine. After the outburst of the
economic crisis (after 2009 up to the present moment), in the Romanian rural economy we could notice revigoration signals of the directly productive sectors (primary sector and processing industry) together with a contraction of the economic segments that had represented “successful businesses” before the crisis (tertiary sector – trade and transport in particular and the sector of constructions).

The diminution of the number of private firms having as activity object the transport and storage is a critical issue, as the main problem in the marketing of rural products is the missing link that should connect the direct producers to processors and/or final consumers. The disappearance or diminution of the number of those that provide these services in the rural communities will make the situation more difficult for the product flows from producers to market, and will increase the selling costs of products for the direct producers.

Characteristics of the labour force and labour market in rural Romania
The occupational structure of the rural population in Romania (Figure 5) was and continues to be dominated by the primary sector (represented by agriculture for its most part). The share of agriculture in labour employment is above 60% in rural Romania due to the self-employment in own household agricultural activities at the level of the small rural farms (farms under 5 ha that represents 93% from total number of Romanian farms and operates 30% of agricultural areas).

Labour productivity in Romanian agriculture, the main provider of jobs in rural area, represent only 29% from the EU-27 average, only Latvia, Bulgaria and Poland having
smaller index than Romania (EC-DG-ARD, 2013: 68; 129). In these conditions, the percentage of population at risk of poverty (< 60% of the median household income) rise at 33.1% in Romanian rural regions, the biggest share as compared with the other rural regions form EU countries (EC-DG-ARD, 2011: 2).

The weak development of the Romanian non-agricultural rural economy system results in low occupational opportunities. As the development stage of the rural economy does not provide sufficient occupational alternatives for its active population, the intra-rural occupational mobility is substituted by searching for a job in the urban area and/or in foreign countries. The rural population’s occupational mobility, in general, followed an ascending trend in the first period after the accession to the EU (2006-2009), the number of people employed in the primary sector of the rural economy decreasing by 4%, in favour of the employment increase in the secondary (+5.2%) and tertiary (+10%) sectors. In spite of this, 60% continued to be employed in agriculture, due to the lack of off-farm employment opportunities in other activities of rural economy and the low educational level.

In the second time period, which begins with the amplification of the economic crisis effects (2009-2012), the intensity of the active rural population’s occupational mobility diminished, while its trend was significantly changed, even reversed in the case of sectors such as constructions, services, primary sector and processing industry.

![Figure 6. Educational structure of employed rural population](source: own calculations based on NIS data – tempo on-line database, www.inss.ro)

Although the young labour force is ready to accept an ascending occupational mobility, the weak development of the Romanian non-agricultural rural economy system results in low occupational opportunities; furthermore, the rural population’s training is also a factor that constrains the ascending occupational mobility of the rural population. Although the educational structure of the rural active population slowly improved, in the year 2012, more than 42% of the employed population continued to have a low educational training (graduates of maximum 8 years of school) in rural Romania (Figure 6). The fact that throughout the investigated period we could notice the increase by about 60% of the number of employed population with higher education reveals that the rural labour market has an increasing demand for a better trained and skilled labour force. This evolution proves the appetite of the rural business environment for adopting production techniques and technologies with a higher technological level, the utilization of which presupposes a labour force with a higher specialization/qualification level.

As the development stage of the rural economy does not provide sufficient occupational alternatives for its active population, the intra-rural occupational mobility is substituted by searching for a job in the urban area and/or in foreign countries.

**CONCLUSIONS**

After EU integration, in Romania the rural entrepreneurship capacity to have an active contribution to sustainable economic growth, to provide jobs and contribute to the
The general welfare increase has an optimizing trend because: the total number of entrepreneurs was increasing; the share of employers in the employed population was on the rise. In the same period, the entrepreneurs’ innovating capacity increased in rural Romania because the share of the young people increased in the age structure of employers. Thus, the optimism generated by Romania’s joining the EU and the new funding opportunities were fructified by the Romanian rural entrepreneurs. Unfortunately, the period of economic crisis that followed immediately after the accession slowed down and even reversed the increasing trend of rural business, and it is the young entrepreneurs that were mostly affected, who were at the beginning of their activities, having less experience in business.

For Romanian rural business, the capacity of averting the negative effects of external shocks, as recent economic crisis, seems to be lower especially for those economic activities that are not directly connected with the economic usage of the rural primary resources.

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REFERENCE


