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DEVELOPING RURAL SMALL BUSINESS – AN OPORTUNITY FOR MITIGATING THE FINANCIAL AND ECONOMIC CRISIS

*Zoltan Panczel*¹

Abstract

This paper wish to show the importance of small rural business in rural communities, as a way to develop benefit rural economies.

With educational programs, assistance and expertise of Romanian and foreign foundations, some communities with entrepreneurial courage to deal with consumers in major urban markets and even Europe.

The purpose of this study is to show that there are possibilities to develop rural small business with own financial sources or by the aid of European founds.

Key words: *rural community, small business, European founds*

Does small business development benefit rural economies more than recruitment of outside investment? In the ongoing debate about the relative merits of these two approaches to economic development, critics make the following case against the recruitment strategy.

David Birch's evidence that small firms contributed 80 percent of new jobs to the economy between 1969 and 1976 is cited, suggesting that the probability of success in job generation is high with the small business strategy. In addition, agglomerations of small, innovative firms have been acclaimed for contributing to the resilience of local economies and for enhancing the skill levels of an area work force. By the late 1980s, this perspective had become orthodoxy in the field of economic development. However, evidence began to emerge which called into question the conventional wisdom that small firms are the key to economic growth. Research demonstrated that the share of jobs in small firms was not increasing, but remaining quite stable. Though job growth rates are higher on average in small firms than in large ones, most small firms don't grow at all, and large start-ups account for the lion's share of new firm employment increases.

Recent studies have challenged not only the job-generating power of small businesses, but also the benefits of small-firm job creation. Case study research of

¹ Zoltan Tibor Panczel, Lecturer, Phd. University "Mihai Eminescu", Timisoara, Str. Arie nr. 1A, tel. +40356462550, panczel.zoltan@hucons-tm.ro

industrial districts suggests that small, locally owned firms in many areas depend on contracts from large corporations and provide low-wage, unstable employment. Evidence from microdata clearly indicates that small firms pay lower wages and offer fewer fringe benefits than large businesses to workers with similar qualifications. Vulnerability of the local economy due to dependency on large or externally owned businesses is a particularly salient issue for rural communities. Nonmetropolitan areas have a disproportionate share of manufacturing industries with routine operations and few managerial and professional jobs.

These rural industries are more vulnerable than others to cyclical variations in employment, and within industries rural branches are the first to be cut in recession. During the 1980s, branches of large externally owned retail firms began restructuring the residentiary services sector in rural communities, as well. Encouraging entrepreneurship and small business development has been a major theme in professional discourse of rural development practitioners and academics. Community factors related to business creation have been examined and policies and programs for assisting small, locally owned businesses proposed and initiated.

Yet rural communities continue to pursue external investment, and recent research suggests that this approach may compare favorably with the entrepreneurial strategy.

About small business we can tell that, at the beginning, Carolina was a welcoming host for small traders, artisans, talented, farmers open to progress, in general, "all those willing to take risks necessary to start a business and take fate into their own hands. In our times is still a tradition of entrepreneurship and small businesses that people from the village and North Carolina can be proud. " These words open a local history of rural entrepreneurship conducted by the Institute for Rural Entrepreneurship Rural Economic Development Center of North Carolina. However, we are told, on several occasions threatened this traditional 20th century entrepreneurship in rural areas, and imposing changes.

First, large corporations have come in the first decades, to dominate the local industries.

Then came mid-century industrialization and new technologies of the '80s, which led to factory closures and layoffs. They were added, finally, leaving young people, especially the educated, the urban areas where they could find better paying jobs.

In the '90s, globalization and pressure products made with cheap labor from developing countries led to the closure of many businesses and the loss of countless jobs, just excelled in areas where local entrepreneurs. Thus, "local businesses that have managed to identify new markets, create products with a new type of added value and adapt to change quickly prospered and developed. Many farmers and entrepreneurs have benefited from expansion into new markets. "

In a context quite different, but with the same strong tradition of Romanian villages small producers face after '89, the same challenges: lack of access to markets dominated by large retail chains, the exodus of young people abroad or by cities compete

with products produced on an industrial scale and low quality products imported from elsewhere. Therefore, solutions can only be the same. Some of the proposed Institute of North Carolina Rural Entrepreneurship: entrepreneurship education programs and courses tailored to specific communities, access to microcredit, business advisory services, promoting local entrepreneurial culture and the integration of national and international markets.

Slow Food Movement in Romania is one of several projects for many years, trying to meet these needs.

With educational programs, assistance and expertise of Romanian and foreign foundations, some communities with entrepreneurial courage to deal with consumers in major urban markets and even Europe. Unknown villages, hundreds of small farmers and craftsmen, from breeders and beekeepers to potters, wood carvers and blacksmiths, have restored the chance to Romanian tradition of entrepreneurship, providing a global market all our best, remains endangered cultures.

Creating and developing a mechanism for best practices, consistent and uniform, the business representative organizations in Romania, to support rural entrepreneurship development, a mechanism that will allow these organizations involved directly in supporting sustainable development of rural entrepreneurship and boost development of non-agricultural activities through the sustainable development of human resources.

Specific Objectives: - analyze the current status, needs and potential business development in rural areas at the eight counties in three development regions, with different rural type - development mechanism to support rural entrepreneurship through: creation of advisory centers Rural addressing the level of representation, advice and assistance in opening / business development, sign up individual profiles Job and exchange of non-agricultural, building partnerships with organizations representing the business environment in Romania to facilitate the exchange and integration of best practices for the benefit of rural entrepreneurship development - developing and implementing training programs suitable courses and seminars to improve quality and sustainable development of human resources and rural entrepreneurship - running a campaign to promote entrepreneurial culture, including publishing a magazine dedicated to the distribution in rural areas, radio and television broadcast stations with regional coverage and reception rural areas to promote non-agricultural activities (crafts, traditional handicrafts, tourism and other non-agricultural activities) by organizing and facilitating access to exhibitions, conferences and workshops, and creating guidelines to initiate and develop a non-agricultural business in rural areas.

After making some experiments opening small business with the aid of European financial resources we concluded that the flexible specialization model of networks of technologically advanced small firms holds little promise for rural areas, though small and mid-sized rural businesses may compete successfully in niche markets of mature, generally low technology industries.

We present some of the activities that could be developed in rural regions:

- investments in non-farm productive activities concerning light industry, for

- example articles of leather, footwear, wool, fur, knitwear, household items;
- investment in wood products processing industry - from state timber (eg furniture), precision, assembly machines, production tools and home appliances, packaging or other such investments;
- investment for development activities craft, handicraft and other non-traditional agricultural activities-specific processing are considering iron or wool, pottery, embroidery, and making traditional musical instruments;
- small shops of their products from those activities.

Regarding the creation and diversification of services for rural populations are among eligible, for European projects, investments for tailoring services, barbers, shoemakers, but also providing Internet connection and dissemination of mechanization, transportation - other than buying vehicles. Are also eligible investments in plant protection and animal artificial insemination in car repair services, tools and household items.

Moreover, attracting a significant new manufacturing plant may not be an impossible dream, but a relatively common event, for some rural communities. In comparing strategies for economic development, policy makers must go beyond the focus on job creation by large and small businesses to assess the long-term impacts of recruitment and entrepreneurial strategies on the economic and social well-being of the community as a whole. Little empirical work is available that explicitly addresses broader community impacts of large and small business job creation in rural areas. Among the few relevant studies are surveys of rural household and firms in Romania compared aspects of job quality.

Thus higher employees wages of large businesses may not translate into higher income and employment overall for counties where large firms predominate. Another study analyzed the association of “entrepreneurial content” with measures of employment and income growth.

Results indicated that small businesses contribute to the economic health of nonmetropolitan counties, but the study was not designed to compare the impact of large and small business creation.

The purpose of this study is to show that there are possibilities to develop rural small business with own financial sources or by the aid of European funds.

While most research has focused on the probability of success in creating or attracting businesses and jobs, and geographic characteristics that determine such success, this analysis addresses the consequences of small and large business development for county economies.

This study concludes that the vitality of small business development has a stronger positive impact on rural county employment, tax base, and sales than success in attracting establishments owned by large enterprises.

After analysing some of the conditions to develop small rural business we established development strategy variables on economic performance measures.

The number of small start-ups and the total number of small businesses in operation measure the small business or entrepreneurial vitality in each county. The

number of large businesses locating in each county indicates the level of recruitment success.

A small business is defined as an establishment of an enterprise employing fewer than 100 workers. The numbers of new and operating businesses refer to business establishments, or distinct business locations.

However, the size of the business is determined by the number employed at all locations throughout Romania by the company or enterprise that owns the business. An establishment of a large firm that is new to a county may employ few or many workers locally, and it may be of any industrial sector.

Growth in total employment is a key outcome measure, since job creation is the fundamental goal of most economic development efforts.

Earlier research indicates that small businesses are more closely linked to the local economy than subsidiaries of large enterprises. Thus, small business starts are expected to affect total employment more than new large firms. Evidence also suggests that the rate of job growth is higher in small firms. Thus, when total firm population is held constant, the number of small firms is expected to be positively related to total employment growth.

The trend in the value of a county's tax base, hence its ability to finance education and other public services and facilities, is another indicator of economic performance.

The tax digest is a reasonable, but imperfect, measure of the value of real and personal property.

New businesses are expected to have a positive influence on sales, though displacement of existing sales and the proportion of firms not involved in taxable sales activity will reduce the effect.

Development encompasses not only expanding employment opportunities, but also wage levels. Both large and small business start-ups are expected to contribute to wage growth as the labor market tightens due to increased demand for labor.

Since previous research indicates that wage levels tend to be higher in larger firms, new large firms are expected to affect wage growth more strongly than small businesses.

The stability of local employment is another important aspect of labor market performance. Small business development is expected to increase employment stability, since economic dislocation stimulates entrepreneurship. Large businesses, on the other hand, are expected to decrease stability as openings and closings generate swings in demand for labor.

In summary, evidence from rural Romanias counties leads to three conclusions. First, small business development is strongly correlated with growth in employment and property tax base, but success in recruiting establishments affiliated with large enterprises is not significantly associated with these important economic development goals.

Management assistance aids individuals who may be highly knowledgeable in their specific fields, but who lack general management skills in such areas as accounting, strategic planning, personnel management and marketing. Venture capital programs match investors with entrepreneurs, and revolving loan funds help small funds leverage the debt financing they need. Business incubators provide affordable space and shared

support services for fledgling firms. Trade associations and community-based business organizations offer entrepreneurs opportunities for networking, mentoring, and lobbying for favorable public policies.

The strategic objective of the National Policy for Rural Development about „improvement of the competence of the farmers and personnel working in the agriculture, food processing and forestry sectors that allows a better management of the agricultural and forest exploitations” and the sources from European funds for this axis are towards the quality improvement of the rural workforce.

The profound restructuring already happening in agriculture after 1989 or ongoing and amplified after 2007, the year when Romania joined the EU, are premises of substantial reform in the education and research, extension and consultancy, both in agriculture and rural economy in general.

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