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NON-AGRICULTURAL ACTIVITIES IN THE ECONOMIC DEVELOPMENT OF THE ROMANIAN RURAL AREA

ELENA SIMA¹

Abstract: *The Romanian rural economy is mainly an agricultural economy, as the share of agricultural economy is 60% compared to 14% in European Union. Most farmers practise part-time agriculture, insufficiently spending the working time on agricultural activities. In total Romanian rural area, the non-agricultural economy (SMEs in industry, services, rural tourism) has a low share, while the rural tourism, except for certain mountain zones and the Danube Delta is poorly developed. In such conditions, the paper contains an inventory of the most important methods for increasing the available time used in non-agricultural activities, as alternatives for part-time agriculture, which may become an important income source for family farms. The work relies on data processed according to the European Commission Statistics (Eurostat) and the national statistics, in order to reveal the labour force employment in agriculture. The investments in the non-agricultural and food economy, while contributing to gross value added increase through the processing of agricultural and non-agricultural raw materials from local resources, has another great advantage, by creating new jobs and by using and maintaining the local (rural) labour, revitalization of rural localities, mainly those in the less-favoured and remote rural areas.*

Key words: *sustainable rural development; non-agricultural activities; investments.*

INTRODUCTION

At present, in Romania, the economic functions of the rural zones depend almost entirely by the existence of the agricultural activities. In the last decade, the economic development of the secondary and tertiary sector drew the active rural population to urban areas. Although the active population in rural areas recorded a slightly downward trend, due to the declining and aging rural population, still there is available labour force involved to a large extent in subsistence and semi-subsistence agriculture. [8] This situation explains the need for creating new, alternative jobs in the rural area, especially for the orientation of the small farmers or of the family members to non-agricultural sectors.

The employment of available labour force is a development imperative not only on the part-time farms, to which it could provide additional incomes, but also for the national economy as a whole. This is a complex process which presupposes, besides the diminution in number of the population employed in agriculture, by attracting it to other sectors, the pluriactivity development, the employment of the members of part-time farms in other non-agricultural activities. [4]

The stimulation of investments in the rural area, for the development of small and medium-sized enterprises (SMEs) in the non-agricultural economy and the processing of primary agricultural products, must become a permanent concern of the local authorities, by setting up, under the economic decentralization and decisional subsidiarity process, in the rural localities (or rural zones), with labour force surplus, of village industrial microzones, with county or regional financial support, by equipping these with the utilities necessary for industrial activities (electric, thermal power, gas, water, sewerage, access and interior roads, telecommunications etc.), according to the model of those created in the rural areas of the EU countries a long time ago. [3]

MATERIAL AND METHODS

The whole volume of information present in this article was obtained through scientific research specific methods, while respecting all its stages from the methodological point of view: identification of the investigated problem, research framework delimitation, information collection, data processing, analysis and interpretation and drawing up the conclusions.

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An important place for the purpose of the paper is held by office research, which consisted of the identification of other studies and articles that have approached the same subject, as well as of the processing of certain statistical data. As a result, the information sources used can be classified into governmental sources (statistical, ministerial and from research institutes) and non-governmental sources (independent publications).

RESULTS AND DISCUSSIONS

The economic growth, as well as the increase of the living standard, determine an increase of the entrepreneurial sector role, as more people can access funds in order to start their own business, in an economic environment able to facilitate the putting into value of opportunities. Besides these, there are also other factors that influence the entrepreneurial activity rate, such as the demographic, cultural and institutional characteristics existing at national level.

The Strategy Europe 2020 proposes three general key directions for economic growth, attainable through concrete actions at the level of the European Union and at national level:

- promoting knowledge, innovation, education and digital society;
- a more competitive production, with a more efficient use of resources;
- a greater participation to the labour force market through the acquirement of skills and fight against poverty.

The Strategy Europe 2020 is meant to be a solution for getting out of the present crisis, through actions at community level so as to create an economy – of the 21st century – which is intelligent, sustainable and inclusive; this could lead to employment increase on the labour market, to productivity growth and increase of the economic, social and territorial cohesion. [6]

The rural economy is more developed and more dynamic if it has a more diverse structure. The non-agricultural economy consists of extractive and processing industry, food and light industry, wood and forest products harvesting and processing, cottage industry, agro-tourism activities and services.

In the sector of agriculture, forestry and food, competitiveness increase leads to the improvement of performance, the revitalization of the rural areas and the creation of new jobs; this aspect was mentioned in paragraph 1 “The development challenges” of the Partnership Agreement, which is the national document that describes the way in which Romania has in view to use the EU funds in order to reach the goals of the Common Agricultural Policy in the period 2014-2020. [6]

In order to promote labour force employment in the rural area, the European Commission has proposed a series of measures to stimulate the economic activities in the countryside and to encourage the local development initiatives through support to projects targeting the establishment of micro-enterprises and consolidation of local action groups.

Thus, the **diversification of rural activities in the rural area** contributes to the creation of new alternative or additional income sources for the rural population, as the main possibility to increase the occupation of available time in the rural areas.

By diversification we understand any income - generating activity that does not depend on any agricultural work, but it is connected to the farm. This refers, among others, to: agro-processing, wood processing, aquaculture, energy production from renewable sources for the market, contracts for hiring working equipment, tourism, housing and other leisure activities, craftsmanship. [1]

By the diversification of the farm activity, an equilibrium could be reached between the agricultural activity, other forms of rural development and the preservation of natural resources, while the multifunctional role of farmers could acquire other dimensions – that of food or non-food producers, suppliers of services, rural entrepreneurs. [4]

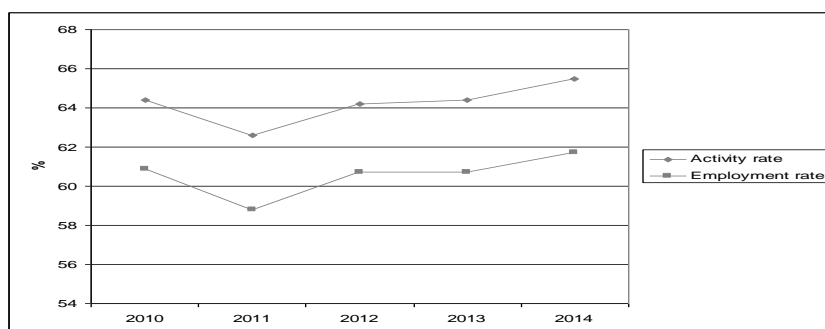
Business environment development in the countryside, contributing to the preservation and development of traditional activities, also leads to the diminution of rural – urban disparities.

In a modern economy, starting from the principle that labour movement is much more expensive than the movement of materials and products, most countries modified their policy with

regard to enterprises location, and they moved the enterprises towards the labour force and not inversely. The displacement of labour implies massive investments and complex social phenomena. On the contrary, the location of small and medium-sized companies in the rural area means economy diversification, labour employment, increase of the economic power of rural localities and their overall development.

In Romania, at present, most rural people are working in agriculture, forestry and fisheries. In the year 2011, both the activity rate (62.6) and the employment rate (58.8) of the population in the rural area had lower values compared to previous years (Figure 1).

Figure. 1. Activity rate* and employment rate* in the rural area, in the period 2010-2014



*Calculated in relation to the working-age population (15-64 years).

Source: Romania's Statistical Yearbook, 2010-2014 data series, NIS.

The creation of new enterprises had been proceeding well up to 2008 but stalled during the recession and has yet to fully recover. However, the number of agricultural enterprises increased across the years in the investigated period (Table 1).

Table 1. Evolution of the number of active economic and social operators of national economy

Operators type	2004	2005	2006	2007	2008	2009	2010	2011	2012
Enterprises	410383	450666	480910	520228	555128	541836	491956	452171	472342
Agricultural holdings	11794	12510	13347	14221	14407	15112	15240	15152	16080
Non-agricultural Enterprises*	394519	433030	461812	499857	533976	519441	470080	430608	449482
Private entrepreneurs	410642	381468	324700	330438	306879	307777	290960	280377	278078
Total	901414	928255	911662	957524	1002879	942876	876225	826170	850113

*Enterprises from industry, construction, trade and other services

Source: Romania's Statistical Yearbook, 2004-2012 data series, NIS.

Most of the non-agricultural enterprises are involved in trade activities due to the fast recovery of investments and minimum necessary expertise in the organization of such activities; at the same time, the industry and services are not developed in conformity with the market demand. Except for two branches, i.e. food industry and timber industry, there are no other industrial activities in the proper sense of the word in the rural area.

Only about one quarter of the communes of Romania have non-agricultural economic activities on their territory, organized under the form of SMEs in the extractive, processing, cottage industry and agro-tourism activities. In 2011, only 18.1% of the active SMEs with non-agricultural profile were listed in the rural area, which shows a low share of SMEs involved in carrying out these activities (industry, services and rural tourism). Yet, in the period 2005-2011, the number of rural non-agricultural SMEs increased by 16%, but the effects of the crisis from the last years led to a decrease in number of these. [6]

The decrease of the number of workshops providing services and handicraft cooperative units generated severe compression of the social economy from rural areas. In 2010, out of the

2,017 cooperatives, 42.5% were crafts cooperatives where traditional activities were carried out (crafts, handicrafts). [8]

Business development in the rural areas features great differences across regions, as an effect of the insufficient material resource exploitation, of the deficient education, of the low level of utilities, as well as of the massive rural-urban migration or out-migration to foreign countries. Romanian businesses proved to be less resilient during the recession. The most problematic factors for doing business in Romania are corruption, tax rates, government bureaucracy and inefficiency, access to finance, tax regulations, inadequate infrastructure, inflation and an inadequately educated workforce.

The access of SMEs to funding remains a problem. In terms of territoriality, financial services are generally less accessible to rural areas enterprises and to the agricultural sector, due to high credit costs. Although financial mechanisms (guarantee schemes) were in place, some of the beneficiaries who signed financing contracts under the 2007-2013 NRDP did not succeed to access credits for investment. The main reason consisted in the non-existence of an agricultural credit adjusted to the specificity of agriculture. The requirements imposed by the banking institutions for accessing funds (e.g. for guarantees) are similar to the ones applied for any other company or SME, being impossible to fulfill. The insufficient specialization of crediting services was directly reflected in the guarantee system for agriculture, which was not used to its planned capacity, and, implicitly, in the limited level of accessing the program and the high level of project cancellations among selected beneficiaries. [8]

Development of small-scale business is an important source for employment/income earning, and the analysis of rural SMEs shows a low ability to provide jobs for population.

The diversification of the non-agricultural utilization of available resources in the rural area makes it possible to develop an entrepreneurial environment oriented towards:

- *productive non-agricultural activities*, such as:

- light industry (leather-made items, footwear, woolen and fur items, knitware, household appliances, odor control products, etc.);
- industrial processing of wood products (e.g. furniture), starting from the timber stage;
- industrial processing of meat and milk products;
- fine mechanics, assembly of machines, tools and household appliances, production of packages, etc.

- *craftsmanship activities*, handicraft and other non-agricultural traditional activities with local specificity (processing of iron, wool, pottery, embroidering, manufacturing traditional musical instruments, etc.), as well as their marketing (small selling shops of own products obtained from these activities).

- *services for the rural population*, such as:

- tailoring, barbers' shop, shoemaking;
- private kindergartens;
- internet connection and diffusion;
- mechanization, transport (others than the purchase of transport means), phyto-sanitary protection, sanitary-veterinary services and artificial insemination of livestock;
- repair of machines, tools and home appliances.

- *renewable energy production* by the procurement of equipment for producing energy from renewable sources other than the bioconsumable sources;

- *commercial activities* (small shops for the sale of own products obtained from agricultural and non-agricultural activities, as well as of those of local, regional, national or global origin, with agricultural or industrial character);

- *financial-banking and advisory services*;

- *rural tourism activities, ecological tourism etc.*

The development of micro-enterprises as well as of small and medium-sized enterprises plays an essential role in the European economy, where these represent a significant source of incomes and of promoting the entrepreneurial, innovation skills and job creation.

In Romania, for the period 2014-2020, NRDP provides support to the non-agricultural enterprises in the rural area under measure **M6 – “Farm and business development”** and has two sub-measures - 6.2 “Support to the establishment of non-agricultural activities in rural areas” and 6.4 “Investments in the creation and development of non-agricultural activities”. [8]

The goal of the support granted under the measure M6 will stimulate the business environment in the rural area, contributing to the increase in the number of non-agricultural activities in the rural areas, as well as to the development of the already existing non-agricultural activities, job creation and increase of the rural population’s incomes. At the same time, the support targets the farmers or members of agricultural holdings who wish to diversify their economic activities by the practice of non-agricultural activities in order to increase their incomes and create occupational alternatives.

The sub-measure 6.2 “Support to the establishment of non-agricultural activities in rural areas” has in view: *the diversification of the rural economy* through the increase of the number of micro-enterprises and small enterprises in the non-agricultural sector, development of *services* and creation of jobs in the rural area and encouraging the maintenance and development of *traditional activities*.

Under **the sub-measure 6.4 “Investments in the creation and development of non-agricultural activities”** support is provided for the micro-enterprises and small enterprises in the rural area that create or develop new activities in the countryside.

The modern approaches from the governmental strategies prioritize the actions and measures have in view to remove the constraints to private initiative in the rural areas through:

- Support to the private sector in the identification of investment opportunities;
- Strengthening the existing labour force and supporting to its re-qualification in order to meet the requirements of private investors in the rural areas;
- The adjustment of the education curricula in the rural areas to the specific conditions of the communities or regions, so that the young people can get jobs more easily;
- The increase of the quality of public administration in the rural areas;
- The public infrastructure improvement in the rural areas;
- Supply of technological assistance at the level of communities for the identification and coordination of public investments efforts.

The Governments have always recognized the problems in the rural area and the lower living standard compared to that in the urban area. At the same time, the problems generated by the fewer opportunities to find jobs in the rural area have been included on the governmental agenda, together with the support to job creation and environment protection. Several governmental strategies existed and still exist, trying to coordinate the efforts and resources of different ministries and governmental agencies (agriculture, labour and social protection, administration and environment), so as to generate a critical mass necessary for rural area development.

Yet these strategies have not generated the expected results, not even with regard to the increase of competitiveness of agricultural activities and to rural area development. The causes of failures are, in general, the top to bottom approach of the different strategies, the non-involvement of the authorities and of the rural communities, the systematic non-allocation of the funds that have been initially foreseen and the absence of certain priorities to be maintained for a long time period.

CONCLUSIONS

In a modern economy, starting from the principle that labour movement is much more expensive than the movement of materials and products, most countries modified their policy with regard to enterprises location, and they moved the enterprises towards the labour force and not inversely.

The location of small and medium-sized companies in the rural area means economy diversification, labour employment, increase of the economic power of rural localities and their overall development.

In Romania, the rural economy is by tradition associated to agriculture. This situation explains the need to create alternative jobs in the rural area, mainly by orienting the small farmers or the members of their families towards non-agricultural sector.

The statistical data reveal that agriculture, food industry and forestry are of primordial importance for the rural economy. The presence of non-agricultural activities in the Romanian rural area, related to the primary sector, and mainly to the exploitation of natural resources and their processing, are non significant in economic terms.

The analysis of SMEs in the rural area reveals their low capacity to respond to the need to supply jobs for the rural population. Small-scale business development is recognized as the most important source of jobs and incomes in the European rural area.

In the present socio-economic context, the creation and promotion of entrepreneurial initiatives put into operation a viable mechanism for the rural communities development. In order to obtain good results in the entrepreneurial activity in Romania, the following aspects should be taken into consideration:

- Infrastructure improvement to support business through the creation and development of industrial parks and businesses incubators;
- The continuation of the bureaucracy diminution process in the establishment and operation of the new enterprises;
- A better information of population as regards the governmental programs for private initiative stimulation;
- The promotion of the successful business stories of the Romanian entrepreneurs at larger scale.

The business environment development in the rural area, according to the principle of activity field prioritization, contributes to:

- Diversification of agricultural and non-agricultural activities and job creation in the rural area;
- Increase of rural population's incomes and narrowing the disparities between the rural and the urban areas;
- Fostering the maintenance and development of traditional activities.

In the future, with the continuation of the reform in education, the conditions of entrepreneurial spirit development could be changed. The success of such changes depends on how fast and how much the administrative and managerial capacity of local authorities will be improved.

The investments in the non-agricultural and food economy in the countryside, besides adding value to products through the processing of agricultural and non-agricultural raw products from local resources, has another great advantage, in the sense of creating new jobs, through the utilization and stabilization of the local (rural) labour force, the revitalization of the rural localities, mainly of those localities from the less-favoured and remote areas.

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