Social Business Models in the Context of Romanian Rural Environment

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Abstract: The labor market in rural areas faces a new challenge, of to increase employment through entrepreneurship development and transfer of labour from subsistence agriculture sectors to non-agricultural competitive sectors under the conditions of the existence of a high percentage of workforce aging, inactive, discouraged from finding a job, with low level of education, training, entrepreneurial culture and income. The paper presents a SWOT analysis of rural workforce market and the framework of regulations regarding the development of social entrepreneurship opportunities as a modern form adapted for solving social problems. It is important to developing another type of business towards to solve social problems facing rural environment, an equitable redistribution of income, reinvest profits to create new jobs and not to accumulate it in order to deepen the economic and social inequalities. Based on a statistical investigation on the main problems faced by entrepreneurs from rural area and internationally good practices are mentioned several orientation directions of social business models in the context of rural area.

Keywords: social business, employment, rural area, vulnerable persons, labor market, social economy.

JEL Classification: J21; J43; M2.

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Introduction

The second objective of the National Strategy for Labor Force Employment 2014-2020 (NSLFE), which refer at improvement of the occupational structure and labor participation among women and persons belonging to vulnerable groups, directly targets employment in the rural areas, through the action "decreasing of employment in subsistence agriculture through facilitating relocation of this human resources towards non-agricultural activities". Also, among the priorities of the National Competitiveness Strategy (2014-2020) with the direct effect on employment growth in rural areas, are: connecting the education system with labor market requirements; determining non-agricultural domains of activity with added value, growth potential and competitiveness to which could be labor transferred from subsistence agriculture; and the transformation of economic growth conditions in the next programming period (2014-2020) to improve competitiveness and to prepare long-term conditions for a higher standard of living. The priority "Preparing the Generation 2050 and societal challenges" appears as objective "Competitive development of agriculture and rural areas", which aims at both reducing the agriculture of subsistence, increased investment in non-agriculture activities from rural area and doubling labor productivity in agriculture, in 2020.

Of the 450,000 active SMEs nationally, only 14% operate in rural areas, which are mostly micro, unable to absorb the surplus labor and having a minimum contribution to economic development. Low density rural SMEs related to population, specifically the amount of 7 SMEs / 1000 inhabitants is six times lower than the European average (42 SMEs / 1000 inhabitants in Europe) and three times lower than the national average. SMEs active in the agricultural sector represents only 3.46% of total assets from the companies of 2014 (INS Directory, 2015). As a result, rural SMEs fail to contribute significantly to the sustainable economic development of rural areas as long as there is a sufficient number of companies and a favourable environment to stimulate their creation and growth. Supporting entrepreneurship is mentioned in the Governmental Strategy for the Development of SMEs and improving the business environment in Romania as a priority for the economic crisis and mitigates the risk of slipping into poverty. Given that 45% of the population exists in rural areas, encouraging the formation or development of business in rural areas must become a priority. It highlights the need to address stimulating economic activity in line with the employment potential in rural areas.

A solution for imbalances of labor market from the rural areas is, along with increasing the performance of labor market institutions, development of social entrepreneurship of insertion, regulated in our country relatively recently (Law 219/2015). It aims to fight against exclusion, discrimination and unemployment, by socio-professional insertion of disadvantaged people. In this paper, the authors analyse the role of promoting social entrepreneurship in the development of Romanian agriculture and rural area, alike. Through this type of entrepreneurship, the target group will turn from consumers of the social resources in producing added value and active participants in the dissemination of the principles of social economy.
1. Social Entrepreneurship - a Possible Response to Current Social Challenges

The social economy emerged in the context of changing needs of analytical approaches and development of a comprehensive methodological potential which better respond to current societal challenges, beyond of sufficiency of pure economic theories and of focus on market mechanism. It was developed by innovative approaches in treating social problems, especially created by the existence of isolated communities, persons belonging to vulnerable groups, at risk of social exclusion and that through the conventional methods of accessing the labor market fail to integrate. Developing the social economy structures, led in Europe, over the last 10 years, in social and health systems, at increasing employment more than in other areas. It is proven that investing in the social economy has led in recent years to a report net favorable against to classical economics market, 17 new jobs at 14, in sectors of manufacturing and distribution energy and 17 at 11 new jobs created in other economic sectors (Commission européenne, Approchesproposées pour la mesure de l'impact social dans la législation et dans les pratiques de la Commission européenne).

Entrepreneurship is a process that can be applied to economic or social goals. The entrepreneur always looking for change, meet the challenge and exploits it as an opportunity, indifferent if this possibility is commercial in nature or social (Drucker, 1985). While entrepreneurship economically focused on economic affairs aimed at maximizing profit and concentration of capital in the hands of a few people, social entrepreneurship is opposed somewhat in that it aims activities with social purposes, aimed at redistributing income, goods and services where it is more need. Thus, social entrepreneurship repair "gaps" left behind by the economic and social inequalities and imbalances, generated by the capitalist economy, in order to create social capital. Moreover, the literature mentions that we focused too long on a particular model focused on maximizing company profit and it is clear that we need alternative models (Stiglitz, 2009). We conclude that social entrepreneurship is the activity that aims to solve a social problem (Durieux and Stebbins, 2010).

Social entrepreneurship is a new category of business that brings a new dimension to the business world and a new sense of social awareness among the business community. Muhammad Yunis and others (2010) defined social business as a self-sustaining company that sells goods or services and repays its owners' investments, but whose primary purpose is to serve society and improve a lot of the poor. This type of business is between one that aims to maximize profit and non-profit one. On the basis of social entrepreneurship are mentioned in the literature seven principles:

1. the business objective is to overcome poverty, or one or more issues (eg: education, health, access to technology and environment) which threaten people and society and not to maximize profit;

2. the financial and economic sustainability;

3. Investors will receive dividends not just money invested;
4. The company's profit is used to extend and improve the company;
5. pays attention to gender and environment aspects;
6. remuneration of labor and improvement of working conditions and
7) ... do it with joy. (Mohammad Younis, World Economic Forum in Davos, January 2009).

In Romania, under Law 219/2015 are mentioned in art. 4, as principles: priority to the
individual and social objectives as against to increase profits; solidarity and collective
responsibility; convergence of interests of associated members and the general /
corporate; democratic control of the members, exercised over the developed activities;
voluntary and freedom of association in the forms specific to the social economy; separate
legal personality, autonomous management and independence from public authorities;
allocation of the most of the profit to achieve the objectives of general interest / interest of a
corporate or personal prerogatives of members; and in Article 8, paragraph 4, b the
granting of the certificate of social firm if it allocates at least 90% of the profit to the social
purpose and statutory reserve.

Social entrepreneurship is a relatively new field, developing, which benefiting on the one
hand, by a generous literature, from conceptually speaking, sometimes contradictory, but
on the other hand, an reduced offer of data and empirical research. For this reason, he
remains a phenomenon still insufficiently analyzed and developed both a practical and
methodological perspective. Therefore, the lack of rigorous empirical research does not
allow conceptualization and categorization of social entrepreneurship to the economic
theories, reason why is not yet known the potential of future development of these types
of businesses. Still exists debates regarding the definition of entrepreneurship on its
different forms of implementation. Moreover, the economist Stiglitz (2009) argued that
we need to do more to identify the contribution that alternative forms of organization
bring to our society both in terms of GDP and satisfaction.

1.1. The origin of social entrepreneurship

An important contribution to development of social business concept had the Grameen
group (Grammenos means village), which has over 30 years of existence, especially
through the model of the Grameen Bank from Bangladesh, in 1983, whose founder is
Muhammad Yunus, Nobel laureate. This bank began to lend money to poor people and
found that the poor people had entrepreneurial abilities, only which traditional banks
refused to give loans without guarantees. Grameen Bank now offers loans to more than
7.5 million poor people, of which 97% of them are women. Through these loans, the Bank
Grammenos help them to pass the poverty line, 68% of families of debtors of the bank
have succeeded. The bank has been profitable every year of its existence, except the years
1983, 1991 and 1992, with a repayment rate which is currently at 98.4%. The activity of
socially oriented organizations of Grameen Group currently differs, for example, the
largest phone company in the country; supply of drinking water in villages; providing
affordable dairy product, designed to meet the nutritional needs of children in
Bangladesh; the sole provider of affordable healthcare, etc. Some companies Grameen
works in partnership with other international companies for the provision of economic
goods. The experience in ongoing construction of the group of companies, which aim to reduce poverty, has led to the concept of "social business" that can be regarded as still in the development phase.

2. Socio-economic Situation of the Rural Population

Late as the failure of the implementation of specific policies to revitalize the Romanian village led to the deepening structural crisis of the labor market in rural areas. Today we find that rural labor market is rigid, lacking opportunities, unable to provide sources of income to compete at raising living standards. The employed population in rural areas representing 45.3% of total employed population of Romania and 42.28% to the total active population of Romania (Tempo, Online, INSE, 2015), is characterized by: the predominance of employment in subsistence agriculture which keep captive a broad category of unpaid family workers (24.6% of the employed population in rural areas) and the self-employed (36.2% of the employed population in rural areas); a small percentage of the salaried population compared to urban areas (38.6% in rural areas compared to 91.7% in urban areas) and rural agriculture developed EU countries. Also, in rural areas is a percentage high inactive population; an aging population, discouraged by inefficiency of active measures implemented and lack of jobs; a high percentage of people with low education and training, much less entrepreneurial. Given that 60% of the employed population in rural areas working in agriculture, forestry and fishing (INS 2013) requires that the motion strategic at employment level, decrease of employment in subsistence agriculture and population and transfer to competitive activities from non-agricultural sector, leaving instead of a population adequately sized for commercial farming, decent income generating, capable of raising the standard of living of the inhabitants of villages and communes (objective mentioned in the common Agricultural Policy).

The multitude and magnitude of the accumulated problems of population employment of Romanian rural areas which might constitute opportunities for developing social entrepreneurship are captured in a painting synthetic socio-economic (Table. 1).

Table 1: Summary of SWOT analysis of labor market issues of rural development in the context of social entrepreneurship development

<table>
<thead>
<tr>
<th>Strong points:</th>
<th>Weak points:</th>
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<tbody>
<tr>
<td>• High volume of labor resources</td>
<td>• Significant share of inactive population</td>
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<tr>
<td>• Great potential to create added value in agriculture</td>
<td>• Specific occupational structure of an economy based on subsistence agriculture</td>
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<td>• Trend of improving employment structure</td>
<td>• Lack of employment opportunities in rural areas</td>
</tr>
<tr>
<td>• Positive balance of internal migration in rural areas</td>
<td>• Severe compression of the social economy in rural areas as a result of reducing the number of the service units and handicraft cooperatives units</td>
</tr>
<tr>
<td>• Growth trend of salaried employment in rural areas through the diversification of the rural economy.</td>
<td>• Large share of people discouraged from looking for a job in rural areas</td>
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<td></td>
<td>• Poor labor market insertion of young people in rural areas</td>
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<td></td>
<td>• Underdeveloped entrepreneurial culture</td>
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<td></td>
<td>• High percentage of employed people aged over 65</td>
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years

- Persistence of a significant share of inactive population
- Lack of employment opportunities in rural areas
- Low level of education of the population in rural areas
- Inappropriate educational system to labor market needs of rural areas
- Low density rural SMEs related to population
- Active measures applied inefficiency and weak institutional capacity in implementation
- Financial services not adapted to the needs of rural investments, especially for small and medium investors.

### Opportunities:

- Policies/strategies/legislation/institutions of rural employment framework strategies and harmonized with EU regulations
- Regulation of social economy social economy
- Fostering private commercial family farms European type through a gradual reduction of the subsistence farms
- Expanding of rural food, non-agricultural and cultural SMEs
- The establishment and development of local food supply chains and sales networks to connect producers and consumers
- Increase investment in rural areas

### Threats:

- A dominant subsistence agriculture
- Insufficient sustainability of rural SMEs and social entrepreneurship;
- Difficulty accessing European funding programs - experiences;
- Lack of markets
- Weak development of non-agricultural activities
- Gaps law concerning atypical work contracts appropriate to the livelihoods of people in rural areas;
- Lack of impact studies on the development and implementation of social entrepreneurship initiatives
- Maintaining high level of employment in the agricultural sector at the expense of other sectors of the rural economy.
- Social dialogue unsatisfactory

Source: Selection from rural employment analysis developed within the framework of the project "System of Measures to increase employment of the rural Population, 2015," D. Pasnicu coordinator.

### 3. Social Entrepreneurial Business Models in the Context of Rural Romanian Areas with a Focus on Future Developments

Directions outlined in this section focuses on the examples of social business models Grameen Group and the results of statistical research, based on questionnaires, analysing the perception of heads of household in rural areas on satisfaction with public services and causes that hinder the development of rural areas. The investigation was conducted under the project "System measures to increase the employment-oriented rural population", which uses a sample of 1,070 respondents, in 2015. Developing the social entrepreneurship was one of the specific objectives of a wider investigation methodology of this project.

An important direction to which might guide Romanian social entrepreneurship in the next future and which meets a large rural population requests would be the creation of
agricultural banks or financial institution that compete to the modernization of the current farms so that they can become commercial. Analysis of the results of the investigation showed the reluctance which farmers have towards the Romanian banking system. A significant percentage (64%) of those who want to develop a business in 2015 does not intend to access a bank loan for business development on their own, some of them relying more on themselves. This perception is related to the uncertainty of success of their business and hence the impossibility of returning the credit. Those who intend to access a bank loan represent only 7% of respondents, and a 3% would access a loan, but with some conditions (lower interest rate, availability of grants, etc.)

The same investigation showed that the main difficulty for those planning to develop a business is the lack of access to credit facilities (22% of respondents). Currently, Romanian farmers cannot access credit through classical system because they cannot afford the repayment of loans at high interest rates charged by banks in Romania, thus being difficult for them to buy equipment/pay agricultural works or to buy land (given that 38% of respondents do not have agricultural land as ownership). Solving such problems is not only economic, but above all, social and it is vital for the development and modernization of farm, for the diversification activities and development of the non-agricultural sector. Developing such activities depends largely on the possibilities offered to farmers to acquire the necessary tangible and human resources. Creating a suitable bank would allow Romanian farmers the acquisition of land (according to the investigation, Romanian farmers have about 2.4 hectares per farm on average which is quite below to the requirements for practicing a commercially agriculture), of modern equipment and the possibility of payment agricultural works without access toa supplier credit system such as the one practiced today. On the other hand, this issue would contribute to a balance of opportunities between Romanian farmers and foreign investors in agriculture benefiting from more advantageous loans and low interest rates when calling a credit to their country of origin. Other obstacles resulting from the investigation relate to „lack of support from the authorities" (17%) burden „high taxation " 15% and insufficient of various forms of financial support from the state (12%). An important aspect highlighted by 14% of respondents is the lack of skilled workers and the skills required. (Figure 1).
Another important economic-social direction that would contribute to the modernization of the Romanian village is to ensuring appropriate standards of public utilities. Farmers' access to gas, water, sewerage and public roads is a prerequisite for any development project peasant farm. Among the issues considered most serious in the village where they live, most of the answers, 37%, focus on the infrastructure utility and the road, given that only 11% of respondents have access to heating gas, 39% of tap water in the home and 20% connect to the public sewer system, according to the same investigation. Also, social entrepreneurship might arise in the gap coverage represented by „the lack of economic agents, investors in the area” (18%), "insufficient capitalization of the products produced in the village" (7%). Another significant social problem felt in the village is the aging population. Social entrepreneurship could help attract young people and the development of activities in which to involve both young people and seniors through a beneficial inter-generational contract.

Conclusions

The analysis presented allows authors to draw some conclusions regarding the Romanian Social Business:

- Promoting and developing social entrepreneurship in Romania was done timidly without substantial achievements, focusing on peripheral social activities without contributing significantly to solving important social needs, this is more evident in rural areas;

Source: authors processing/authors calculation on the basis of the statistically investigation results of the project "System of measures to increase employment of the rural population, 2015", Coordinator D. Pașnicu.
- Given the scale of the economic and social problems, social entrepreneurship intervention should address the developing of rural infrastructure in support of chain’s activities, beginning to the farm to the processing, distribution and marketing, as well as supporting the non-agricultural activities, trying to absorb in their activities the vulnerable people from the labor market: inactive people, including young people and housewives; people with low levels of education and training skills, people which are isolated and without access to resources and services, or limited access, etc.

In conclusion, social entrepreneurship should not be regarded as a panacea, it is only a spearhead of measures to test and innovate, starting from the premise of social, developing economic activities, pursuing social purposes, but working in the same competitive economy as economic entrepreneurship. The desirable solution would be that social entrepreneurship act in complementarily with the economic environment to achieve the objectives of modernization of the Romanian village.

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