REGIONAL DEVELOPMENT IMPACT ON AGRICULTURAL ENTREPRENEURIAL ORIENTATIONS - ROMANIA CASE STUDY

Monica Mihaela TUDOR
Institute of Agricultural Economics, Romanian Academy

Abstract. The presence of the entrepreneurial spirit in the great mass of rural households is a measure of the market economy penetration in this production area. One cannot speak about a real market economy in agriculture in the absence of profit-oriented farmers, of farmers willing to invest, searching for highly performant raw materials for agricultural activities. This study intend to establish what type of agricultural entrepreneurial behaviours is characteristic for two antagonistic development regions and how this antagonism influence the entrepreneurial activities for the occupational status structures and for the land ownership typology of the rural households.

Résumé. L’impact du développement régional sur les orientations des initiatives entrepreneuriales – étude de cas de la Roumanie. La présence de l’esprit entrepreneuriel dans la grande majorité des exploitations agricoles est une mesure de la pénétration de l’économie de marché dans ce domaine de production. On ne peut pas parler d’une économie réelle de l’absence des orientés vers le profit, des exploitants qui désirent faire des investissements, qui cherchent des matières premières performantes pour les activités agricoles. Cette étude essaye d’établir le type de comportement entrepreneuriel agricole qui caractérise deux régions de développement antagonistes et comment cet antagonisme influence les activités entrepreneuriales au sein des structures professionnelle et de la typologie de propriété sur la terre des exploitations rurales.

Key words: regional development, entrepreneurial orientation, agricultural business

Mots clés: développement régional, orientation entrepreneuriale, agri business

INTRODUCTION

Being an entrepreneur in a transition economy is, in fact, a socio-economic innovation. Learning this new role represents a great challenge, considering the main characteristics of the Romanian rural area:

- the high share of total population working in the farming sector – which is mainly the result of the extremely low capacity to absorb the labour force surplus by the non-farming sectors;
- the monosectoral and mono-occupational character of this sector, to which the aggravating circumstances of population’s ageing have been added in recent years. This situation amplifies the inertial economic behaviour of households;
- land into private ownership of households farmer was and remained low-sized (1.6 ha nowadays). This low-sized land areas, under the conditions of an extensive type of
farming and poor technical endowment, result in low productivity, maintaining the rural households at the simple reproduction limit;

- the “closed” character of peasant households is not only the result of the low-sized land properties, but also of the internalisation of the paternalistic model values.

Seen from the perspective of this regularities, one can understand that assuming an entrepreneurial behaviour in a context in which the alien (behaviour) elements are rejected for not corresponding to the cultural pattern, represent a great challenge.

The Romanian rural area is by excellence agrarian, patriarchal, bearing the imprint of a high conservative character at the level of attitudes. Hence, we can speak about rural area modernisation only at the moment of adopting the behaviour innovation at the level of the most common activity for the 47% of the people living in the rural area, i.e. farming. The presence of the entrepreneurial spirit in the great mass of farmers is a measure of the market economy penetration in this production area. One cannot speak about a real market economy in agriculture in the absence of profit-oriented farmers, of farmers willing to invest, searching for highly performant raw materials for their activities.

1. PROBLEM STATEMENT

Transition farmers in Romania are mainly self-consumption oriented. They produce for their own needs, with minimum input rates (fertilisers, pesticides, fungicides, specialised services, etc.) for farm production. The entrepreneurial behaviour is alien to them, they do not buy, do not invest and they do not have any farm investment plans.

In this context, we define the area of entrepreneurial behaviours in agriculture by the following main characteristics:

- the sale of products and obtaining profit;
- use of modern technologies and inputs;
- investment flows (already in place or/and intended in the future);
- tendency to increase farm size by purchasing animals, buying and/or leasing in certain land areas.

This idealised entrepreneur image in the farming sector can take, from the behaviour standpoint, a multitude of manifestation forms, defined by the combination of the entrepreneurial behaviour signs, in different proportions. Household typology measuring the extent to which they have adopted or not active entrepreneurial attitudes differentiates four main categories of farmers in Romanian rural sector:

- **fully subsistence farmers** – using traditional techniques and producing only for their own self-consumption
- **partially subsistence farmers** – using minimum inputs, selling a small part of their production, i.e. the small amounts of production surplus remaining after the household self-consumption
- **total entrepreneur** – who maximises the investments, sales and procurement of production means, in order to obtain a longer term profit
- **partial entrepreneur** - represented by the trader focusing on sales and oriented towards profit on shorter term. The rate of production entries, although higher than the average, is relatively low. Sales have a more intense rate than entries, which define the type of profiteer entrepreneur.
2. RESEARCH QUESTION

Our study aimed at testing three work hypotheses:
♦ whether the incidence of entrepreneurial manifestations is dependent upon the rural development level of areas where the investigated localities are located;
♦ if the proximity to the urban market, and the high accessibility level imply a concerted entrepreneurial action in the agrifood sector of inhabitants from the rural areas benefiting from the position rent;
♦ to what extent the occupational status and the land ownership structures influence the entrepreneurial manifestations and to what extent these two elements increase/compensate the stimulative/restrictive character for the rural development of investigated areas.

3. METHODOLOGY

The study whose conclusions are the object of this presentation was elaborated on the basis of field surveys conducted in 2002 in two rural areas benefiting from relatively similar position rents, however located in opposite zones as regards the factors related to modernisation and rural development. Thus, the following localities were investigated: commune Tartasesti, Dambovita County and the communes Daia, Oinacu and Fratesti, Giurgiu County.

The data collection methodology consisted of the application of a questionnaire for a representative sample of investigated communes. The data were electronically processed afterwards.

4. RESULTS

If the investigated communes have similar situations from the perspective of agricultural land area suitability for the development of farm activities and accessibility to urban agrifood markets, they belong to net differentiated areas from the perspective of socio-economic development. Thus, the commune from Dambovita County is located in a rural area in which the factors favouring rural development prevail, while the communes from Giurgiu are located in a “poverty bag”.

Giurgiu County is situated inside the “bag” of poverty, which includes the rural area of the Teleorman Plain, where the weak points, unfavourable for the rural modernisation and development are prevailing:
• From demographic point of view: demographic decline resulting from the stressed ageing of the population, birth rate generally inferior to the average, great death rate, reduced capacity for demographic rejuvenation;
• From economic point of view: reduced degree of labour occupation, reduced share of non-agricultural activities;

1 The field surveys were conducted by the researchers of the Rural Economy and Sociology Department from the Institute of Agricultural Economics, Bucharest
• From dwelling point of view: there are prevailing the dwellings made of non-durable materials, a very reduced water supply installation equipping;
• From equipment point of view: a minimum percentage of the population supplied with water from the centralised system;
• From social point of view: high level of infant deaths;
• From ecological point of view: soils strongly and very strongly degraded, absence of forests2.

The communes Daia, Oinacu, Fratesti are pertaining to Giurgiu County, there are placed in plane areas, from the agricultural area of the three communes over 85% represent available land. There are situated between to urban poles - 45-50 km distance from the capital of the county, and 10-15 km from the county residence. There are benefiting from a good accessibility to the car transport infrastructure, being placed along or in the very proximity of the European road, which connects Bucharest to Giurgiu.

**Dambovita County** is placed in an area were favouring factors for the rural economic and social development prevail:
• From demographic point of view: big density of the population especially in the southern half, demographic stability, capacity for natural demographic rejuvenation and renewal of the labour force;
• From economic point of view: high degree of labour training, possibilities for cooperation with the urban centres, high share of non-agricultural activities;
• From dwelling point of view: high share of dwellings made from durable materials;
• From equipment point of view: water supply in centralised system and natural gas distribution on around 50% of the zone’s area3.

The commune Tartasesti is located in the Dambovita County and has three component villages: Tartasesti, Baldana and Gulia. Placed in a plain area, of the total area of the commune 94.11% is represented by agricultural land. Situated at a distance of 50 km to the Targoviste municipality and 30 km to Bucharest, the commune Tartasesti is in the medium area of the capital’s polarisation. It benefits from a good accessibility to the transport infrastructures, being placed along the national road which connects Bucharest to Targoviste.

The data collected on the basis of survey questionnaires applied to the representative sample were interpreted on the basis of theoretical premises previously listed; the goal was to capture the incidence of different forms of overall entrepreneurial spirit manifestation on the basis of two predictors – occupational status and land ownership structures – that were considered to have a significant influence upon entrepreneurial manifestation.

From the perspective of elements defining what we have previously named “area of entrepreneurial behaviours” (trade, modern inputs, investments) we can interprete the position of the entrepreneurial class of investigated communes as being “suspended” between partial subsistence agriculture and partial entrepreneurship. These positions are justified by the entrepreneurial configuration specific for each area. Thus, while in Tartasesti more than 22% of households develop commercial activities, for the communes from Giurgiu this indicator is less than half, i.e. 9.6%, compared to the area from Dambovita County.

---

2 The PHARE project Ro 9408/0101 (1998), ‘Rural Development in Romania’, Bucharest, pp. 33-34
3 PHARE 1998, pp. 24-25
In Tartasesti, a relative specialization in vegetable farming is noticed on the commercial farms, resulting in a higher value of sales compared to the areas from Giurgiu County, where the farms have rather sporadic and non-specialised commercial activities. The endowment in agricultural equipment of households is scarce in all the investigated communities; it is more deficient in Giurgiu, where only 4.8% of households have a tractor compared to 7% in the commune from Dambovita.

At the level of the Commune from Dambovita County 4% of the inquired persons made investments of agricultural equipment and they have an almost complete range of machines and devices, but the value of these investments is minimum, showing the speculative nature of the entrepreneurial behaviours. For Daia, Oinacu and Fratesi the endowment with agricultural equipment of the households registrates a more stressed deficit than in Tartasesti – 4.8% of the households have only a tractor and plough at much, the other equipment lacking at all in the technical endowment of the farm. 2.4% of the respondents of the three Communes from Giurgiu County made investments in agricultural equipment for the previous year; with an average value of 2,800 euro, these investments get the households they supported closer to the type of a total entrepreneur.

The agricultural inputs are used on quite a large number of households in both areas; however, the appetite for using agricultural inputs is decreasing, both as share in total user holdings and as value – from certified seeds to fertilisers and pesticides on one hand due to budgetary constraints; on the other hand out of the willingness to obtain maximum results at present with a minimum effort, running the risk of soil exhaustion in nutrients and infestation with different pests and weeds that will negatively affect the efficiency of land operation in the future. This strategy, a passive one, to make agricultural business is the result of the dominant attitude of “PRO maximal state”⁴, through which the state should intervene in order to control the economic activities, should support financially agriculture, to take care of the taking – over and sale of production.

In the commune from Dambovita County a manifest interest is noticed for the growth of commercial farms, while the localities Daia, Oinacu și Fratesi are rather characterised by a lack of interest in the development of this business type. While for Tartasesti a great agricultural business potential is found, as 21% of the investigated persons are willing to

---

develop a farm business in the future and other 13% intend to buy agricultural land. For the Giurgiu’s localities the potential for intentional activation in agricultural business is very small, only 2.4% of the households investigated manifesting the wish to purchase land in future or to improve their productive actions. Moreover, no one of the respondents do not intend to open an agricultural business and only 3.6% of them wish to open a non-agricultural business. The main obstacle invoked by most of respondents is the lack of necessary funds for initiating such a business, together with the difficulty in getting a loan from the bank.

The correlation between the economic and social development of the investigated areas and the other two elements considered to be entrepreneurial orientation predictors, i.e. occupational status of household head and the size of land property aims at testing the way in which these two elements condition each other; this means revealing the cumulative conditions that can increase the farm entrepreneurial actions.

For this theme we consider very important to study the entrepreneurial manifestations a two extreme status category from a point of view of the agricultural dependency: the employees households, which obtaining important and constant incomes from the off-farm employment and the farmers households for which the subsistence and incomes of households member depends almost exclusively from the agricultural activities.

The occupational status structures react in a different way to the economic and social environment conditions.

The interest in the growth of the agricultural farm, both through investments in agricultural land purchase and lease also, is manifested at the level of the same status categories in both rural areas studied, but it is more intense in Tartasesti commune. The areas entered by purchase in the land property of the households in Tartasesti are small (in average – 0.75 ha for farmer households and 0.65 ha for employee households) fact for which we consider that these occupational categories give to land ownership rather a value of social prestige than interest manifested in agricultural business. Although for the Giurgiu’s localities the averages of the areas purchased are larger (1 ha for farmer households and 2 ha for employee households). Not the farmers’ households are the over which buy land but the employees, who have bigger incomes from off farm employment.

![Fig. 2 Entrepreneurial manifestation in households of farmers](image)

3 The occupational typology was established in function of the stated occupation of the head of household
The farmers households is the occupational category who seems to be interested in agricultural business in both areas – those households leasing-in 58.2% in Tartasesti and 78.4% in the Communes from Giurgiu County from the total of the area making the object of this land transaction type. There are significant differences between the two rural areas as regards, on one hand the average area leased in by the farmers households (3.4 ha in Tartasesti, 2 ha in Daia, Oinacu and Fratesti) and on the other hand, the share of those operating on this market segment from the total of farmers households (8.7% - Tartasesti and 4% - Daia, Oinacu and Fratesti). These data reflect the more restricted incidence of the entrepreneurial behaviours in the de-favoured area – Giurgiu. Moreover, for the latter zone, it was generalised the tendency to lease–out land – seven times more households are practising this arrangement in land operation in comparison with Tartasesti. If this thing can be explained for the employees households benefiting from other incomes sources, it enters in contradiction with the farmer status, which does not offer any other supplementary income sources.

The frequency of trade acts is influenced also by the status structures and by the regional characteristics. For Tartasesti, the highest propension registra tes at the level of households, which do not benefit from any other income source – farmers households (34.7% are selling at least one agricultural product). The percentage of employees households who are selling agricultural products is smaller due to obtaining the greatest part of the available income from the salary activities. For the Communes from Giurgiu County the share of households making trade acts is half than the Commune from Dambovita County. The highest incidence of the trade acts is registered for the households having multiple income sources – the employees households –from who 18.7% are selling at least one agricultural product. The farmers households have a mainly autarkical behaviour – only 8% of them making acts of trade. Farmers sale mainly wheat in small quantities representing the surplus of the satisfying the own needs for consumption, a product the unit price of which is small and, as result, also the income obtained is small. So, if for Tartasesti agriculture is an income source at the farms level, for the Communes from Giurgiu County the agricultural production has more a role of ensuring food security of the farmers households and less a commercial role.

![Fig. 3 Entrepreneurial manifestations in households of employees](image-url)
Only about 4% of the farmers’ households realised investments in agricultural equipment in both rural areas. If for Tartasesti these investments are supported exclusively by farmers and so from the farms incomes, from Daia, Oinacu and Fratesti the non-agricultural incomes are a more important source to cover expenses with agricultural investments.

The wish to develop an agricultural business characterised exclusively the rural area of the better developed county from social and economic point of view for both status groups (employees and farmers), because this features favourable conditions for this activity (the sales market and solvent demand for agricultural products, more advantageous prices for the producers).

In the areas with factors favouring development, the farmers’ households are entrepreneur representatives. For the commune Tartasesti, entrepreneur-like behaviours are found in the farmers’ households, which are manifested by the growth of agricultural production activity and intensification of commercial activities. Furthermore, these households feature high shares of those willing to initiate an agricultural business, while the employees are rather interested in off-farm business.

In the areas with factors constraining development, the household of employees are the bearers of agricultural initiatives – in the communes from Giurgiu the entrepreneurial behaviours are lower then in the areas from Dambovita, being mainly found in the households of employees. The desire to develop an agricultural business in the future is not present in any of the occupational status structures. The entrepreneurial appetite is also low for non-agricultural business. The inhabitants of this area do not consider the use of the agricultural and position potential as a possible opportunity. This is also revealed by the manifest desire of the households of the most entitled persons to develop an agricultural business, i.e. peasants, to initiate a non-agricultural business.

The land typology re-groups the households sampled in function of the size of land ownership revealing another series of dependence among these structures and the entrepreneurial behaviours for the ensembles studied - on one hand, and pertaining to antagonistic development zones, on the other.

At the level of Tartasesti commune, the insufficiency of the land ownership, necessary to ensure the food security, for the category under 1 ha led to an active economic behaviour of this landowners category in the segment of purchasing agricultural land. The average area purchased is but small (of 0.32 ha/household) because the precariousness of financial resources and lack of interest for agricultural business.

The interest in purchasing land decreases together with the increase of area under ownership. For Commune from Dambovita County, the share of area got by purchase in land area of each category increases as the increase of areas held in ownership. The households with land property under 1 ha do not see in agricultural practices any opportunity, because they do not have the land resources necessary for the development of an agricultural business and within the financial resources necessary to expand the economic sizes of the farm. These households are very much getting close to the characteristics of fully subsistence farmers, consuming almost in totality this own agricultural products.
As the land size of the farm increases, the number of the households that invested in purchasing agricultural land also increases but the areas got this way are small (in average 0.5ha for the households with land properties between 1 – 2 ha; 1.5 ha for the households with 2-3 ha; 1.2 ha for households with more than 3 ha), reflecting the social prestige component that these farms assign to the land ownership. The incidence of the space for land structures upon the lease land contracts is influenced significantly by the socio-economic features of the area where are placed the studied communes. Thus, for Tartasesti, the share of households leasing-in land is bigger for the size classes-inferior dimensionally in the goal of expanding the land size of farm which, implicitly, generate an income increase. For the Commune from Dambovita County this indicator registrates the highest value for the households over 3 ha, only these ones being able to assume the risk of such a contract in case of a weak agricultural year, such as not to put in danger food security of own households members.

The lease-out land increases in intensity to ether with the enlargement of the owned area, but these emerge significantly disparities between the two area from this point of view. So, if in Tartasesti one of the households with over 3 ha, only 9% lease-out land, this percentage reaches to over 45% in the Communes from Giurgiu County.

For both rural areas we can see the existence of an inverted dependency between the size of land ownership and the acts of purchasing and leasing agricultural land, which shows the fact that to the size of agricultural land farm is attributed only the role of a regulator for ensuring the food security of the household members. The intensity with which these phenomenon is happening is different in Dambovita and Giurgiu communes. For Tartasesti land market have a positive impact because leasing contracts have, in general, as a goal the consolidation of an agricultural farm economically viable. But the predominant behaviour for giving-in the land use in the Communes from Giurgiu County affects their capacity to support the supply for agricultural products on the market; only 13% of the households with over 3 ha in ownership selling at least one agricultural product, in comparison with 43% of the same category of households of the Commune from Dambovita County.
Regional Development Impact on Agricultural Entrepreneurial Orientations

Fig. 5 Entrepreneurial manifestation in households with more than 3 ha

The other determining element for the space of entrepreneurial behaviour - percentage of households which sell agricultural products – are circumscribed to one general increasing trend, as the size of land ownership increases. As on result, the probability that one household should fructify the entrepreneurship spirit increases together with the farm land size getting bigger.

In Tartasesti the desire to open an agricultural business is amounts to over 20% for all the land categories, except the households with land properties under 1 ha which do not have the land resources necessary for this enterprise and neither the capacity to purchase them. In exchanges, the interest of the latter category is oriented towards non-agricultural business, which could ask for smaller initial capitals and would imply smaller risks. For the Communes from Giurgiu County neither of the respondents manifested the wish to open an agricultural business, their interest being oriented to non-agricultural business – 13.3% of the households under 1 ha and 4.5% of the ones with land properties of over 3 ha, wishing to open non-agricultural business.

CONCLUSIONS

For the commune Tartasesti, the data reveal getting closer to partial entrepreneurial parameters, while the communes in Giurgiu County are rather closer to subsistence agriculture parameters. A higher community-regional development level is a catalyst of entrepreneurial manifestations when the factors favouring rural development prevail. There is a significant positive correlation between the community-regional development level and the entrepreneurial manifestations.

In the areas with factors favouring development, the agricultural holding is an income source. In the areas with factors constraining development, the agricultural land plays rather the role of regulating the food security for the household members.

In conclusion, the degree of communitary-regional development involves different evolutions upon the space of entrepreneurial behaviours, then the other conditions are similar. The economic dynamics of the proximity zone in which a rural community is
placed, exercises a contagiousness process upon the agricultural initiatives. Thus, a zone where favourable factors for development prevail (Dambovita County), this exercises a greater conformity pressure on the rural household, determining it to fructify the agricultural potential in the goal of improving the income level. In the areas with a low development level, the economic dynamics is slow and induces to rural households production activities having mainly a subsistence character.