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ENTREPRENEURSHIP ROLE IN PROMOTING RURAL TOURISM

ABSTRACT

The paper makes an interdisciplinary analysis of the entrepreneurship role in tourism promotion in the national and European rural area, in the context in which governments and other organizations from the developed economies are increasingly interested in the positive role that rural entrepreneurship can play in their economies. The methodology used is based on the analysis and synthesis of processes and phenomena that lie at the basis of the transformation of traditional rural economies into entrepreneurial economies in the European rural area. The statistical data were completed with information from articles and studies published in specialty journals, in governmental documents as well as in other development strategies on tourism and agriculture, etc. The results of this scientific research study reconfirm the interdisciplinary importance in the analysis of certain major problems that rural area is facing, like the one approached in the present study.

Key words: rural investments, entrepreneurship, tourism, economic development.

JEL Classification: L26, L83 Q56.

1. INTRODUCTION

Entrepreneurship is a major factor of economic growth, innovation, competitiveness, labour employment and social integration, having been promoted at European level for quite a long time.

At present, the entrepreneurship promotion and development represents one of the main directions of Europe 2020 Strategy and a solution to the recent slowdown of the economic growth in several Member States of the European Union (EU). This strategy intends to create more jobs and to ensure better living conditions for the population in the years to come. At the same time, the support and consolidation of entrepreneurship and innovation represent one of the most important methods of approaching the economic issues in the rural communities, materialized under the organizational-juridical form of the small and medium-sized enterprises (SMEs).

According to the data presented by the European Commission's Directorate-General for Enterprise and Industry, there are around 20 million SMEs in the

European Union, providing for about 65 million jobs. Most of them are micro-enterprises, many of them located in the rural area, where the living standard and the obtained incomes are currently comparable to those in the urban area, and the profits from the economic activities are close to those obtained in other industries (www.enrd.ec.europa.eu).

Even though there is no universally applicable formula for the rural entrepreneurship, in many areas of the world and Europe, in countries with different economic and institutional development levels, good practices and successful approaches to entrepreneurship can be identified. One of the activities developed by the European rural entrepreneurship is the tourism activity. This has in view to revive the local rural economy and to diversify the content of the entrepreneur concept, which has evolved from the definition of a priority-primary socio-economic attitude to a responsible attitude in relation to the performed economic activity, focused upon the amortization of the investments made and upon profit making.

2. STATE OF KNOWLEDGE

As it results from the general definition of the entrepreneurship concept, this represents an initiative, a work-related attitude of an individual or of a human collectivity, that is going to be manifested in a certain place, at a certain moment and in certain conditions, in order to maximize the profit of their activities, on short term and to focus on investments, on long term.

In the modern sense of the market economy, an entrepreneur is an economic operator who mainly adopts an active and novatory behaviour and deliberately accepts financial risks in order to develop new projects. Depending on the business environment and the activity developed, the list of the entrepreneurial characteristics is much longer and under continuous improvement.

What is particular for the entrepreneurship in tourism is its specificity as tertiary economic activity, producer of tourism services, dedicated to relaxation, resting, work capacity improvement, broadening the cultural horizon. For the rural space, a series of particular elements are added, such as: the activity of tourism is secondary to the farming activity; accommodation and food are ensured by the members of the agricultural household; the tourist (on demand) often gets involved in the household's activities.

The entrepreneurial potential, as source of job creation and economic growth, represents an important subject for policy-makers. However, there is no magic formula to transform the traditional urban or rural economies into entrepreneurial economies, where entrepreneurship and innovation can be systematically stimulated.

A study developed in the year 2000, sponsored by the Organization for Economic Cooperation and Development concludes that "the technological, economic, institutional and cultural factors contribute to explaining the entrepreneurship role in each country". That is why, governments (mainly local governments) and other

organizations from the developed economies show an increasingly great interest in the positive role that can be played by the rural entrepreneurship in their economies; at the European level, the support to the entrepreneurial initiatives represents one of the Common Agricultural Policy (CAP) priorities. The plea for the promotion of the entrepreneurial initiatives in the rural area starts from the need to diversify the rural economy. In general, no rural development program can be designed without agriculture having an essential role, but “the rural economy is more developed and more dynamic if it has a more diverse structure, and if the share of non-agricultural economy (extractive and processing industry, food and light industry, wood and forest products harvesting and processing, cottage industry, agro-tourism activities and services) is higher” (Oțiman, 2008).

3. MATERIAL AND METHOD

In the context in which the developed states show an increasingly great interest in the positive role that the rural entrepreneurship can play in their economies, the present paper attempts an interdisciplinary analysis of the entrepreneurship role in tourism promotion in the national and European rural space. The methodology used is based on the analysis and synthesis of information on the legal, economic and social coordinates of entrepreneurship development in the Romanian rural area, as well as on the analysis and synthesis of processes and phenomena at the basis of the transformation of the traditional rural economies into entrepreneurial economies in the European rural area. For this purpose, we used data from the National Statistics Institute and the Ministry of Agriculture and Rural Development, which were systematized, processed and interpreted through statistical-mathematical and economic methods and presented under a synthetic form. The statistical data were completed with information from papers and studies published in specialty books and journals, in governmental documents, as well as in other development strategies related to tourism and agriculture.

4. RESULTS AND DISCUSSIONS

In the European Union, the micro-enterprises as well as the small and medium sized enterprises are important from the social and economic standpoint; they account for 99% of total enterprises; they create the largest number of jobs and produce the majority of products and services. At the same time, they contribute to entrepreneurship and innovation development in the rural area.

An enterprise, be it small or large, is essentially a business. This is defined by the European Regulation 696/93, but no strategy framework has been established, which could be applied in all EU Member States for promoting rural entrepreneurship. The communities and regions must identify and build the entrepreneurial

strategies, according to their local values. For instance, the rural development challenges in Essex County in Great Britain, which is near London, are completely different from those from Arad county in Romania.

The promotion of the non-agricultural activities in the rural area and the diversification of activities through the assimilation of new entrepreneurial skills, acquiring new abilities and the supply of new services for the rural population are the main factors that have contributed to the economic growth and implicitly to the change of mentality and increase of the living standard in the European rural area, as well as to the territorial, social and economic equilibrium.

In Romania, the rural area covers over 87% of the country's territory and accounts for 45% of the population. Even though the migration of the rural population to towns has been a consistent phenomenon, which will continue in the years to come, the rural population was and probably will remain significantly numerous in the next decades as well (Doltu, 2011).

At present, agriculture and land farming are no longer considered only food production sectors. Through its multifunctionality, agriculture leads to the creation of new economic activities. Starting a business in the Romanian countryside has the following advantages:

- in most rural areas, there is a numerous and cheap labour force;
- the material resources are available at smaller prices;
- the prices of land and buildings are lower than in the urban area;
- in many business fields the direct competition is absent;
- there are unexploited potential markets.

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

- non-agricultural production activities;
- handicraft activities;
- commercial activities;
- tourism activities;
- services for the rural population;
- renewable energy production;
- financial-banking and advisory services, etc.

In the Romanian countryside, the existing micro-enterprises cover a limited range of productive activities and services and do not fully put into value the local resources. Most of them are oriented towards trade (approximately 70% of total micro-enterprises in the sector of services) due to the quick recovery of investments made and a minimum necessary expertise for the organization of such activities, as against the processing industry, which accounts for only 16% of total micro-enterprises in the rural area, while the rural tourism is not developed according to the tourism demand on the domestic and world market, facing difficulties of technical, financial and educational nature (www.afir.madr.ro, 2014).

Tourism, as defined in the year 1981 by the International Scientific Association of Tourism Experts in terms of “particular activities chosen and undertaken outside the home”, has many manifestation forms. These were classified in the year 1994, in the “Recommendations Referring to Tourism Statistics” by the United Nations, according to several criteria that influence the tourism phenomenon aspects (Table 1).

Table 1
Classification of tourism forms in the international statistics

Criterion	Tourism form
Distance	It imposes three variants of tourism practice: short distance, big distance, very big distance
The travel or stay duration	It has three forms of tourism: short duration, medium duration, long duration
Origin of tourists	It individualizes two forms of tourism: internal and international
Age of tourists	It differentiates the tourism practiced by pupils and students, by the mature people and by elderly people
Number of the practicing people	It individualizes two forms of tourism: internal and international
The organization level	It determines tourism activities that can be continuous, seasonal, or occasional
Transportation modes	Inland, roads, railways, air and naval
Motivation of trip or journey	It lies at the basis of specialized, niche tourism formation, each form being defined by its own adjective – relaxation and rest tourism, recreation, creative, business, winter, summer, cultural, religious, sports, educational, medical, ecological, rural tourism, etc.

Source: processing based on Ciangă, N., 2001.

Tourism is the most powerful economic branch worldwide, with complex functions and multisectoral implications. With about one hundred thousand employees worldwide, tourism stands out as the most important employer.

In this context, the rural tourism has emerged and developed, embracing all the tourism activities in the rural areas, with the purpose to put into value the natural and human potential of villages. This is considered as “the meeting place” of the rural culture with the urban culture, which is much more sensitive to the nature. Rural tourism is also an occupational alternative for the rural labour force, a modality for the diversification of the economic activities, generating alternative incomes and it represents a factor of rural population’s stabilization.

In the fragile and pristine areas, which are most often protected areas, the eco-tourism or ecological tourism can be also developed, which is a form of sustainable tourism, whose goal is to supply high quality tourism services in the conditions of protecting the natural areas and stimulating local economy development.

Due to the unique landscapes, vast semi-natural areas, innate hospitality of inhabitants, conservation traditions, gastronomy, as well as to the diversity of tourism resources, the rural space provides a rich and diverse potential for the development of what “puts together an aggregate of goods and services supplied for consumption to people who travel outside their usual environment for a period

smaller than one year with a main reason that is different from the practice of a remunerated activity inside the visited place” (GO no.58/1998).

The support to tourism infrastructure and services in the rural area is necessary out of two reasons: firstly, for the creation and promotion of competitive tourism, and secondly, for setting up local networks for the promotion and supply of these services with the active involvement of the rural population, mainly of women and young people.

There are very few methods to measure the success and profitability of investments in tourism, due to the semi-informal nature of activities, the poorly organized promotion and marketing, mainly at county and local level, which makes it difficult for the entrepreneurs/operators to penetrate on the market and develop their businesses correspondingly. Nevertheless, with an adequate marketing and other types of coordinated support, the unique products of the Romanian tourism will be put into value according to their diversity and attractiveness.

Important rural tourism and agro-tourism activities were noticed in the Rucăr-Bran corridor (with possibilities to expand in the whole region between Vălenii de Munte and Curtea de Argeș), along the Prahova Valley (in Prahova county), along the Olt Valley (county Vâlcea), at the springs of Jiu Valley in Hațeg Country (county Hunedoara), in the Banat Mountains and in the Apuseni Mountains, in Maramureș and Northern Bucovina, in the transversal valleys of the Eastern Carpathians (Bistrita Valley, Trotus Valley). However, there are also areas with important tourism potential, which are not fully put into value, such as the mountain-hilly area of Oltenia, the mountain-hilly area of the Curvature Carpathians, etc.

In the present context of the Romanian rural economy, entrepreneurship has a three-fold relevance: antidote to the subsistence agricultural production structures, prerequisite of the economic pluri-activity phenomenon and promoter of the establishment of organic rural society, the socio-economic basis of which is represented by the middle class. The idea of initiating a business in the rural area should address certain consumers’ needs, should fill up a market vacuum, have programs with finance from the state budget and create facilities for the support of young people who wish to initiate a business for the first time.

The most usual juridical organization forms for the rural entrepreneurship are described in Table 2.

The rural entrepreneur can be authorized on the basis of his studies and qualification diplomas obtained and can opt for certain domains of activity (codes in conformity with the Classification of Activities in the Romanian National Economy – CAEN). The ANP or IE are submitted to the same regulations. For the juridical organization forms ANP, IE and FE the funding possibilities by the investors and financial-banking institutions are lower compared to those for LLC.

The activity of these organizational-juridical forms is regulated by a legislative framework that promotes the entrepreneurial initiatives, the establishment of small and medium sized enterprises (SME) respectively and stimulates the entrepreneurial initiatives of the young people through granting different facilities (Table 3).

Table 2
Main organizational-juridical forms of rural entrepreneurship

Juridical form of activity organization	Characteristics
Authorized natural person (ANP)	It performs any form of economic activity permitted by the law on an individual basis, utilizing its own labour force
Individual enterprise (IE),	It performs activities as an economic enterprise without legal status, organized by an entrepreneur-natural person and may have employees for the activity for which it is authorized
Family enterprise (FE),	It performs activities as an economic enterprise without legal status, organized by an entrepreneur- natural person, using the family members as labour force (spouse and children who are 16 years and older, at the date of the family association authorization, as well as their relatives up to the fourth degree of kinship inclusively)
Limited liability company (LLC)	It performs any form of activity, hires labour force, can consist of natural persons or legal entities who, individually or under association with other authorized natural or legal entities, have in view the production and trade.

Source: processing based on www.afir.madr.ro

Table 3
The main normative acts that regulate the entrepreneurial activity

Legislative framework	Legislative act
Entrepreneurial organization	- Emergency Ordinance no. 44/2008 on the development of economic activities by the authorized natural persons, individual enterprises and family enterprises with subsequent modifications and completions. - Law no. 31/1990 on the organization and operation of the commercial companies with subsequent modifications and completions.
Promotion and stimulation of entrepreneurial initiatives	- Emergency Ordinance no. 6/2011 fostering the establishment and development of micro-enterprises by the young entrepreneurs, with subsequent modifications and completions. - Law no. 346/2004 fostering the establishment and development of small and medium-sized enterprises, with subsequent modifications and completions.

Source: processing based on www.afir.madr.ro

The development of an economic activity needs finance, which can be provided from:

- own resources accumulated in time or borrowed;
- support provided by the business partners, which can finance the entrepreneur's business by the supply of equipment, raw materials and materials in advance, on the condition of the subsequent payment of their cost, also named commercial credit (this type of credit is practiced as a rule between enterprises that have long and stable commercial relations);
 - bank credit or credit from other financial institutions;
 - national, European and international programs, oriented towards the support of small and medium-sized enterprises.

For the rural area, the programs provide for non-refundable funds for the initiation/development of activities of production/services or granting low-interest credits. Among these programs, NPRD and the national schemes for granting the de minimis aid are best known.

The utilization of credits imply “costs”, in the sense that these must be paid periodically, with a certain interest, and in order to get them the entrepreneur must come with solvent collaterals, which will be evaluated by the bank granting the credit. As regards the access to the non-refundable funds through NPRD for the development or modernization of the activities of production and/or services in the agricultural or non-agricultural sector, there are measures for investments or for granting an aid under the form of a lump sum on the basis of a business plan.

The design of the Business Plan (BP) represents the entrepreneur’s “business compass”. BP is a written document, elaborated by the entrepreneur or with his direct involvement, which helps him in: business development, establishment of perspective actions, allocation of necessary financial and material resources, tracing the key-points and the problems and identification of opportunities.

5. CONCLUSIONS

The Romanian rural economy is by tradition associated to agriculture, but in reality it comprises much more types of activities (businesses). The investments made on the farms and on the agro-processing units, in order to increase competitiveness, determine the restructuring of activities, capital improvement, the inevitable orientation towards a part-time activity in agriculture and re-orienting the labour force from the rural area towards non-agricultural local activities, in the sector of production or services.

The research study identified different challenges for the rural entrepreneurs, but in the context analysis, the main problems identified were the following:

- the success of the rural entrepreneurs depends on their competence, on the business management skills, on the capacity to be creative and to assume the business risk;
- the rural entrepreneurs, both the existing and the potential ones, need additional help for business consolidation and development, even though they own the necessary skills for business development/initiation;
- the main target groups for the consolidation of the entrepreneurial spirit in the rural area are the following: young people, women and small farmers that own subsistence and semi-subsistence farms;
- the target sectors for the consolidation of the rural entrepreneurship are: agriculture, processing of agricultural products, basic services, tourism;
- the rural area favours the emergence of new enterprises, but it is a vulnerable entrepreneurial environment, which equally depends on external factors

(local infrastructure, social, economic environment, cultural environment, traditions etc.) as well as on internal factors (the entrepreneur's capacity, skills and competence).

In essence, the entrepreneurship promotion and support in the Romanian countryside needs:

- the facilitation of the access to finance at local level, i.e. as near as possible to the place where the economic activity takes place, in order to better and more efficiently address the business environment needs;

- the bureaucracy diminution, simplification of procedures to access the European funds for rural development, and implicitly, the improvement of the relations between the authorities involved in the rural development programs and the applicants;

- the change of attitude of the institutions on the capital market, mainly of the financial-banking institutions, which associate a risk degree to most entrepreneurs in the rural area, to young entrepreneurs in particular, to young farmers, small farmers, mainly the newly established businesses;

- the creation of certain specialized products for crediting the young rural entrepreneurs, which should add to the financial effort supported from national and European funds;

- the best use of local knowledge in the design and implementation of rural development policies and programs;

- the synchronization of the approval of finance contracts, of documentation approval and payment of projects with the business schedule proposed through the projects;

- the creation, at local community level, of a climate of understanding the problems that the entrepreneurs are facing in the rural area, as well as the support of the entrepreneurial initiatives by the local authorities;

- the better communication between the local, national and regional players with regard to the rural entrepreneurs' needs.

The factors supporting the rural entrepreneurship and the creation of a diverse range of businesses in the rural area are the following:

- policies and regulations;

- cultural and social factors;

- economic factors;

- natural and environmental factors.

The development of micro-enterprises, as well as of the small and medium-sized enterprises plays an essential role in the rural economy, where it represents a significant source for obtaining incomes and for the promotion of entrepreneurial skill, innovation and job creation.

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