

The Involvement of Rural Entrepreneurship In The Regional Development

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Abstract: *The aims of the present paper are to emphasize the importance of the rural entrepreneurship involvement in the regional development and to analyse the results of a research regarding the cooperation between the stakeholders of the local and regional development. A set of two hypotheses has been tested by using the data of a sociological survey focused on entrepreneurship and on the potential entrepreneurs from the rural area, belonging to five development regions. The results of our research highlight that the relationships between the rural area business environment and the other actors involved in the regional development (local public authorities, professional associations, institutions centred on regional development) are influenced by the framework of organisation and cooperation with the local business environment.*

Key words: entrepreneurship, potential entrepreneurs, public administration, regional development

JEL classification: P25; M13; R58

Introduction

In the past decades, regional development has been a permanent source of interest among researchers and policymakers all over the world (Nijkamp, 2009). The importance of entrepreneurship in the development of the national regional economies has been recognized largely in the specialty literature (Tamasy , 2006). Entrepreneurship represents a lever, for both the economic growth of a region and national development. It also has a great impact on life quality (Braun, Diensberg , 2007). Basically, the success of regional development is the result of the capabilities of the interested parties (local authorities, NGO, entrepreneurs) in exploiting the local resources (e.g., financial resources, natural resources, social and human capital), through institutions, communities (e.g., entrepreneurship, cultural identity) and facilitating direct foreign investments (Pezzini , 2003).

As rural areas have to deal with particular challenges, governments and policy makers should focus their efforts in order to help these areas to successfully face them. In this respect, the following specific issues are often identified: "First, employment opportunities in primary industries (largely agriculture) are declining. Second, out-migration of young people, along with in-migration of retirees in some places, has led to significant ageing of the population. Finally, most rural areas have difficulty establishing the necessary critical mass of facilities, producer services and investments to support economic development, so that entrepreneurs have difficulty starting up enterprises in the area." (OECD, 2005, p. 4). On the other hand, new opportunities have increasingly emerged such as the possibilities of creating and

developing diversified agro-industries and rural tourism or of launching information technology networks. Therefore, promoting, supporting and strengthening entrepreneurship in the rural areas is needed in order to serve various local needs. However, "policy initiatives aimed at encouraging the formation and growth of enterprises in rural areas need to take into account of the distinctive challenges facing these areas" (Smallbone, 2003, p. 5) related to the characteristics of the business environment and of rural populations.

Regional development refers to the general effort made to reduce regional disparities by supporting various economic activities in regions (OECD, 2011). Many researchers state that entrepreneurship constitutes an important driving force behind regional development. Why? Without any doubt, entrepreneurship plays a multiple role in the rural areas. It represents a major source for employment (Labrianidis, 2003), generates incomes for both public and private sectors, and therefore contributes to local and regional development (Baptista, Escaria, Madruga, 2005).

Having as a starting point the above discussion, several questions arise regarding the functionality of some institutions centered on regional development, their degree of involvement, rural entrepreneurship involvement in projects of regional development. These are:

- a. To what extent are entrepreneurs consulted regarding regional development programmes ?
- b. Are entrepreneurs from rural areas willing to get involved in the development of a larger area than their place of residence?
- c. How do entrepreneurs and potential entrepreneurs feel the development

gap between Western countries and their homeland?

The aims of the present paper are to emphasize the importance of the rural entrepreneurship involvement in the regional development and to analyse the results of a research regarding the cooperation between the stakeholders of the local and regional development. A set of two hypotheses has been tested by using the data of a sociological survey focused on entrepreneurship and on the potential entrepreneurs from the rural area, belonging to five development regions.

Our paper is structured as follows. The second chapter of the paper is dealing with the research methodology. The analysis of the results is presented in the third chapter. The paper ends with conclusions.

2. Research methodology

In order to answer the above mentioned questions, the following two hypothesis were formulated:

I1. If there is an organized framework for the regional development, those with entrepreneurship intentions will want to get involved in projects of that structure.

I2. If entrepreneurs are consulted, then their wish to involve in regional development will be greater.

The present study involved a survey on four distinct development regions: South-Muntenia, South-West, North-West and West. Number of respondents: 1,448 over 18 years old. Table 1 shows the distribution of the respondents' sample.

Table no 1: Distribution of respondents according to region and entrepreneurship status

Development region	Entrepreneurship Status		Calculus basis: number of respondents
	Employer/ free entrepreneur	potential entrepreneur	
South-Muntenia	24.5%	75.5%	554
Southd-West	17.6%	82.4%	279
North-West	19.9%	80.1%	337
West	25.9%	74.1%	278
Average on the 4 regions	22.4%	77.6%	1,448
Calculus basis: number of respondents	324	1124	1,448

The universe of the research has been made up of people interested in utilizing European funds and who participated in the Conference of the Young Managers National Foundation that was held in February – April 2011. The conferences were published in the local and national mass-media being

supported by a national network of consultants who informed people about the conference venues in the 4 development regions. Local public authorities also supported the organization of the conferences. The selection technique of the research respondents was random. Thus, the sample is representative

for entrepreneurs and potential entrepreneurs who are interested in the European financing opportunities, error is $\pm 2.6\%$ at a reliable level of 95%.

The interview took place face to face in a special place, especially created to allow the confidentiality of the answers.

3. Analysis of the results of the research

I1. A first hypothesis is about the relationship between Intercommunity Development Association and the wish to

get involved in regional development of the people who have entrepreneurial skills in this form of association (I1. If there is an IDA, those who have entrepreneurial skills will want to get involved in regional development projects.

In order to analyze this relationship we have to see to how extent these associations are present in the regional development. Practically, over a quarter of the respondents in our survey, entrepreneurs and potential said that their towns/communities are part of an IDA. (see Table no. 2)

Table no.2. Is your town part of an IDA? (%)

	Entrepreneurs	Potential entrepreneurs
Yes	25,1	27,2
No	19,2	11,6
I do not know	55,8	61,2
Total	100,0	100,0
Calculation basis	339	1188

The majority of the entrepreneurs would involve in projects that are centred on the development of the regions where they live. (see Table no.3)

Table no.3 The wish to involve entrepreneurs or potential entrepreneurs in regional development projects, according to IDA at the level of communities where entrepreneurs live

Would you get involved in regional development projects ?	Respondents from towns with IDA		Respondents from towns without IDA	
	entrepreneur	potential entrepreneur	entrepreneur	potential entrepreneur
Yes	56	55	49	45
No	28	31	36	35
I do not know	16	14	15	20
Total	100	100	100	100
Number for calculation basis	85	323	65	138

Using the chi-square test, we see a significant statistic value and that there is a clear opinion about the connection between the existence of an IDA activity and the wish to involve entrepreneurs in developing the regions where they live. It is interesting to point out that potential entrepreneurs would involve in regional development no matter

there is an IDA or there is not any.

I2. A second correlation within the study is the relationship to consult the entrepreneurship spirit by IDA for the projects in progress and their intention to get involved in projects that go beyond the boundaries of their community. (See Table no 4)

Table no.4. Level of funds development through IDA (%)*

Was it developed through IDA funds?	Respondent entrepreneur	Respondent potential entrepreneur
Yes	51.8	64.1
No	20	18.9
I do not know	28.2	17
Total	100	100
Number calculation basis	85	323

*Questions are addressed to subjects who are from IDA communities.

If more than half of the entrepreneurs are aware of projects developed through IDA, only 30-32% of the respondents have been consulted as part of these projects. Practically, 13-17 % of the entrepreneurs and

potential entrepreneurs have been consulted about the projects centered on the towns and communities where they live. (see Table no. 5)

Table no.5. Level of local entrepreneur consulting on IDA projects (%)*

	Respondent entrepreneur	Respondent potential entrepreneur
Yes	32	30
No	68	70
Total	100	100
Calculation basis	44	207
Number of total respondents per sample	339	1188

*Questions are addressed to those subjects who live in towns/communities where there is an Intercommunity Development Association and said that funds were allocated through IDA.

The results show that those who own a firm would involve in regional development

projects to a larger extent than starting a new firm (see Table no.6).

Table no.6 Relationship between consulting the entrepreneurs and the desire to get involved in regional development projects

		Would you get involved in projects centred on the development of an area larger than your residence town?			Total
		Yes	No	I do not know	
The subject was consulted in the IDA projects	Entrepreneur	64.3%	28.6%	7.1%	100.0%
	Potential entrepreneur	75.8%	17.7%	6.5%	100.0%

Chi-Square Test shows a significant correlation between the status of a potential entrepreneur and the wish to get involved in projects that go beyond their residence town. With the entrepreneurs there is no such significant correlation.

An important item in explaining the relationship between entrepreneurship and regional development is connected to the way in which the gap between different regions in Romania and Western Europe is understood. To this question, the entrepreneurs indicated as a main reason the more favourable legislation from West Europe countries but potential entrepreneurs think that it is rather a communication problem with those interested in regional development than legislation.

Significant statistic values, according to the chi-square test, explaining the development gap between our regions and those from Western Europe are for the entrepreneurs willing to involve in regional development: more favourable legislation, higher skilled employees from the West European countries and support from different economic organizations (chamber of commerce, employers associations, etc.).

Those who possess entrepreneurial spirit and do not want to get involved in regional development projects think that the gap is mainly due to communication infrastructure with those interested in developing the region where they live. (see Table no.7)

Table no.6 Why regions from West European countries are more developed than Romanian regions? (question with alternative pre-coded answers)

Alternative answers	Entrepreneurs	Potential entrepreneurs
There is a different type of economy and society	0.0	0.2
Local authority employees are much better prepared professionally	9.1	7.1
Local authority employees have a different attitude	12.1	12.5
There are economic organizations (chamber of commerce, employers associations, etc.) which are much more involved in regional development	13.3	13.8

They possess a communication infrastructure more efficient to communicate with those interested in regional development (information and communication via Internet about all issues, exchange of information between institutions/companies/authorities is more easily made due to infrastructure)	14.5	22.4
Institutions, authorities and companies are consulted regarding regional development	4.1	4.3
A more favourable legislation framework	26.8	19.8
Another reason. What?	.6	.4
I do not know	19.5	19.6
Total	100.0	100.0
Number of calculation basis	339	1,188

Conclusions

The two hypothesis formulated herein have been validated. The results offered by the subjects of our study have shown the importance of creating an institutional framework for the regional development projects. On the other hand, if entrepreneurs are consulted in the ADI developed projects, they will tend to a larger extent to get involved in the development of the region where they carry out their activity. Hinders in regional development are in the view of the entrepreneurs: lack of a more favorable legislation, a more friendly attitude of the local administration employees. Another important issue in the equation of regional development is that of economic organizations that are meant to boost entrepreneurs' activity.

This research, though limited through its scope, represents a starting point to develop the relationship between entrepreneurship and regional development in the budget year exercise 2014 – 2020. Results obtained can be work hypothesis for a research on larger samples abroad and in Romania.

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