

THE ROLE OF SOCIAL ENTERPRISES IN RURAL COMMUNITY DEVELOPMENT

Petronela CRISTEA, Emilia DAN, Ion DONA

University of Agronomic Sciences and Veterinary Medicine Bucharest, 59 Marasti Boulevard, District 1, 011464, Bucharest, Romania, Phone: +40213182564, Fax:+40213182888, Mobile:+40744 6474 10, Emails: petronela.cristea@yahoo.com, emilia_dan@ymail.com, ion_dona@yahoo.com

Corresponding author: petronela.cristea@yahoo.com

Abstract

The purpose of this research is to analyze how rural areas use social enterprises as a tool for enhancing progress across economic and social domains. Social economy has been given many definitions over time, but regardless of the discussed concept, the main purpose of "the third sector of the economy" is the same. The social economy has emerged from the need to find new and innovative solutions for social, economic or environmental problems of communities and to meet the needs of community members that are ignored or insufficiently covered by the private and public sectors. The methodology that led to this paper is represented by relevant studies in the analyzed field, the legislation in force and analysis made by the Romanian National Institute of Statistics. Social enterprises are considered to be the engine of local development, thus contributing to solving social and economic problems. The main benefits of these businesses are: increasing the level of social cohesion, creating jobs for disadvantaged people, improving the cooperation between community members and institutions, increasing the environment and life's quality, emphasizing the Romanian traditions and handicrafts that are part of the country's culture, thus putting into the value the cultural potential specific to the area to which it belongs.

Key words: economic growth, rural areas, rural development, social economy, social enterprises.

INTRODUCTION

The social economy (also called "solidarity economy" or "third sector") has emerged from the need to find new and innovative solutions for social, economic or environmental problems of communities and to meet the needs of community members that are ignored or insufficiently covered by the private and public sectors.

Law no. 219/2015 [12], whose rules have been approved by GD 585/2016, is a law dedicated to the social economy. According to this law, the social economy is: „the assembly of independently organized activities in the public sector, whose purpose is to serve the general interest, the interests of a collectivity and / or personal non-patrimonial interests by increasing employment of persons belonging to the vulnerable groups and /or production and supply of goods, services and/or works to those people”.

Rural social enterprises can play a key role in rural development.

Social enterprises are seen as actors who follow a social mission with entrepreneurial means and as drivers of social innovation [8].

In rural regions, social enterprises deliver services, provide common goods, train and educate people and offer jobs. By doing so, they count on the proximity, spirit of self-help, and mutual knowledge that characterizes social life in many rural regions [1], [5], [10].

Social enterprises are considered to be the engine of local development, thus contributing to solving social and economic problems. The main benefits of these businesses are:

- Increasing the level of social cohesion
- Creating jobs for disadvantaged people
- Improving the cooperation between community members and institutions
- Increasing the environment and life's quality
- Emphasizing the Romanian traditions and handicrafts that are part of the country's culture, thus putting into the value the cultural potential specific to the area to which it belongs

The objective of this paper is to present and examine the role played by social economy entities in rural development in Romania.

MATERIALS AND METHODS

The research is based on various sources of information, such as relevant studies in the analyzed field, the legislation in force and analysis made by the Romanian National Institute of Statistics.

RESULTS AND DISCUSSIONS

Social enterprises have an important influence on the rural development process due to characteristics as follow:

- Social objectives;
- Limited distribution of profit;
- Democratic governance;
- The decision-making process is a democratic one;
- Autonomy [7]

According to the Law no. 1/2005, in Romania the most recognized types of social economy entities are: cooperative societies, associations and foundations and mutual credit unions [14].

Cooperatives

The cooperatives are a type of private economic agent, which is registered and operates under the Romanian Law no. 1/2005 [14].

According to Romanian Law no. 1/2005 the cooperative is „an autonomous association of individuals and/or legal entities formed to promote the economic, social and cultural interests of the cooperative members, being jointly owned and democratically controlled by its members in accordance with the cooperative principles.”

In accordance with Romanian Law no. 1/2005, the basic principles of the cooperative are:

- (i)The principle of voluntary and open association: according to this principle the cooperatives are volunteer entities, in which all people can join without any type of discrimination;
- (ii)The principle of democratic membership control: cooperatives` members participate

democratically in policy-making and decision-making;

(iii)The principle of members' economic participation: all cooperatives` members participate in the foundation of the entity and they will receive, in proportion to the participation share, a profit compensation. All of them allocate from the company's net profit for the development of the entity;

(iv)The principle of autonomy and independence: cooperative societies rely on the input and control of its members, being autonomous societies.

(v)The principle of education, training and information: cooperatives` members are provided with training and education by the companies they belong to, and they will contribute through the knowledge gained in the development of the societies;

(vi)The principle of cooperation between cooperatives: cooperatives work together for cooperative movement;

(vii)The principle of concern for the community: according to this principle, cooperatives act for the sustainable development of the communities they are part of.

The most recognised forms of the cooperative are represented by [4]:

- Consumer cooperatives
- Credit cooperatives
- Agricultural cooperatives
- Craft cooperatives

As can be seen from the diagram below, the most common types are consumer cooperatives.

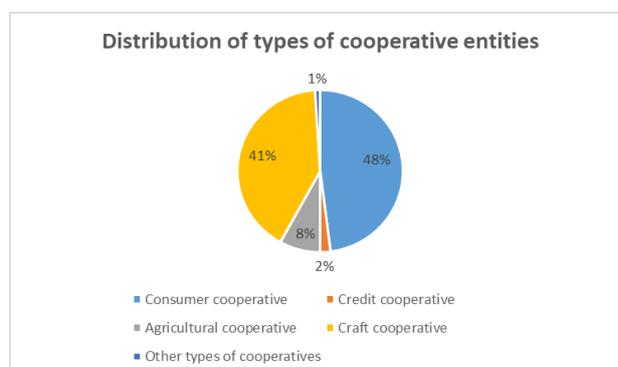


Figure 1. Distribution of types of cooperative entities
Source: ICA & Euricse, The 2014 World Co-Operative Monitor.

Consumer Cooperatives

The main aim of consumer cooperatives is to provide goods or services to members at the best prices. Their members are the consumers themselves, which associated to, could have access to products at the lowest possible price. Obtaining the lowest price as possible is obtained by eliminating fees charged by intermediaries.

Credit Cooperatives

In Romania, the first forms of credit cooperatives emerged in 1851, and had a constant development especially after 1990. The cooperative system has its own mechanisms of assistance among cooperatives, called the Central Credit Cooperatives Body ("Casa Centrala a Cooperativelor de Credit"). It represents the credit institution constituted by the association of credit cooperatives in order to manage their common interests, centralized overlook of legal provisions and framework regulations applicable to all affiliated credit cooperatives through the exercise of supervision and administrative, technical and financial control on their organization and functioning.

The network has a predominantly rural lending activity: 58.8% of the total loans were given to rural individuals at the end of 2009. The arrangement of units especially in small towns and rural areas is aimed at approaching low-income and medium-sized customers and agricultural producers to whom credit cooperative organizations want to offer a wide range of products from paying different types of invoices to lending and saving their savings.

Agricultural Cooperatives

According to Romanian law no. 21/2019 [13], amending and completing the Law on Agricultural Co-operation no. 566/2004, "the agricultural cooperative is an autonomous association with an unlimited number of members, with variable capital, exercising an economic, technical and social activity in the private interest of its members".

Considering that in rural areas, agriculture is the main source of income and the main occupation, agricultural cooperatives are an important factor in supporting both agriculture and marginalized groups.

The main role of these entities is the creation of jobs and the implementation of viable business models in the context of economic fluctuation.

They also support manufacturers in legal terms and in decision-making.

Small agricultural holdings are preserving the economic, gastronomic, cultural and patrimonial traditions, these being attributes that define the national, local, regional Romanian rural identity.

They also provide stability for agriculture and contribute to ensuring overall food security and poverty reduction.

Agricultural cooperatives contribute to improving the productivity of small-scale agricultural holdings and enable access to product marketing, cost savings, credit, insurance and technology. Agricultural cooperatives serve as bridges between farmers and markets by aggregating products, facilitating the adoption of new technologies and raw material input.

They also help increase food production, diversify crops, and provide small-scale producers with a communications network that facilitates decision-making that influence their activities.

Between 2010 and 2012, were recorded the following increases:

- number of agricultural cooperatives –increase of 180%
- assets - increase of 153%
- revenues - increase of 164%
- number of employees - increase of 10%.

In addition, there was a positive perception of association among farmers, especially young people.

A survey conducted in January 2014 by the Romanian Center for European Policies shows that out of the 100 questioned young people, 64% intend to join in the next two years.

In order to support small farmers, measures and forms of additional dedicated support have been introduced in the new National Rural Development Program [11], having a family farm base, all of which aim to support the development of small producers.

In Romania are set up approximately 750 agricultural cooperatives, distributed according to the table below.

Table 1. Number of agricultural cooperatives

District	No	District	No	District	No
Botosani	104	Ialomita	19	Bacau	9
Constanta	34	Bistrita-Nasaud	18	Braila	9
Brasov	32	Olt	18	Iasi	9
Cluj	30	Caras-Severin	16	Valcea	9
Teleorman	30	Timis	16	Galati	8
Vrancea	28	Alba	15	Neamt	8
Calarasi	27	Buzau	15	Arges	7
Dambovita	27	Ilfov	14	Covasna	7
Suceava	27	Prahova	14	Giurgiu	7
Satu Mare	25	Vaslui	14	Hunedoara	6
Dolj	21	Salaj	13	Mehedinti	6
Harghita	20	Maramures	12	Sibiu	4
Arad	19	Bucuresti	11	Gorj	3
Bihor	19	Mures	10	Tulcea	3

Source: National Trade Register Office, Statistics of agricultural cooperatives in Romania in early 2015

The table shows us that most agricultural cooperatives which are operating in the North-Eastern Region.

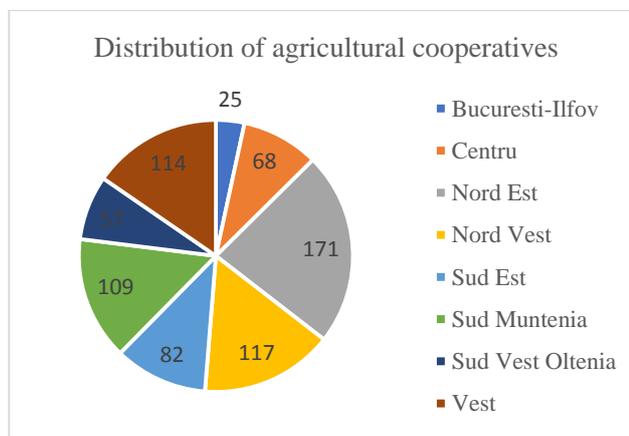


Figure 2. Distribution of agricultural cooperatives
 Source: National Trade Register Office, Statistics of agricultural cooperatives in Romania in early 2015

Craft Cooperatives

According to Law no. 1/2015, cooperative craft societies are associations of individuals who jointly carry out production, merchandise, works and service activities which contribute directly or indirectly to the development of the craft activities of their cooperative members;

The key benefit of this type of cooperative is that it provides decent jobs especially for people from disadvantaged categories, by creating products of low complexity in specially organized units. They also play an important role in promoting and disseminating Romanian folk art and artistic crafts in the world through products that incorporate the country's specific tradition.

Table 2. Number of cooperatives by location and types

Location Type	Urban	561
	Rural	1,215
Cooperative Type	Consumer cooperative	782
	Credit cooperative	711
	Agricultural cooperative	96
	Craft cooperative	161
	Other types of cooperatives	23

Source: personal interpretation of information provided by NIS

Summarizing the above mentioned, one can conclude that this type of entity is an important piece of the rural development process, providing small manufacturers with access to product marketing, savings, credit, insurance, and technology. Moreover, in order to support small producers, cooperatives are given priority in altering European grants. For example, dedicated support measures have been introduced in the National Rural Development Program to finance the development of small producers.

Associations and foundations

Ordinance no. 26/2000 stipulates that the associations and foundations can perform economic activities by creating and commercial company or directly. In case a commercial company is established, the profit obtained must be reinvested in the same company. After the 1989 revolution the NGOs expanded rapidly but the increase was not as significant as that of the credit cooperatives. [2]

The NGOs is the most developed field of the third sector as per the number of entities and employees.

Associations and foundations represent the biggest category of social economy entities in Romania, however in 2012 only 12 % (4,058) of these performed economic activities. The sector with the highest share of economically

active organizations in 2012 was forestry (51% of total associations and foundations operated in this sector, followed by agriculture (31%) and professional (12%).

According to Lumbru M. [6], the NGOs are active in a wide range of fields like environment, social, human rights etc and the most important sectors are education and those related to social field.

NGOs have an important role in the communities where they activate, especially for the disadvantaged people – children, elderly, people with disabilities and Roma people.

Services supplied by these organizations are adapted to the groups needs and facilitate the social integration process – educational and social services, cultural and recreational services, environmental protection services, etc.

Moreover, the local community is participate in these activities with various resources and get involved in the development process – volunteers, materials, logistics, sponsorships or donations, etc.

In terms of areas of activities, most of the existing NGOs are caring out their activity in urban areas. There are few NGOs that are present and operate in rural areas (only around 20%) and are represented mainly by agricultural associations and mutual societies. [3]

In terms of self-sustenance and development of activities in favor of the disadvantaged groups, the NGOs may represent one major actor for the growth of the Romanian social economy sector [9].

Mutual credit organizations

The mutual aid units are a specific category of non-profit organizations operating based on the legislation represented by Ordinance no.26/2000 related to associations and foundations.

These structures have as purpose to support and assist their members by granting loans at low interest rates. In addition, the mutual aid units for the pensioners provide related social, cultural and touristic activities.

Lumbru M. in her study about Trends and Challenges for Social Enterprises in Romania, states that in Romania, the majority of mutual

associations are Employee Mutual – help Associations (Credit Unions for Employees-CARS), Pensioners Mutual-help Associations (Credit Unions for Pensioners – CARP), each type of mutual organization having also a specific legislation. For the CARS, we have Law 122/1996 and, for CARP, Law 540/2002, which provides the legal operation framework for these organizations with double registration, giving a description of the types of activities that can be carried out by these mutual associations. Also CARS and CARP are registered as nonbanking financial institutions with the Romanian National Bank. [6].

The CARS offer loans with low interest for the members and are to be found with a higher frequency in urban areas and less in the rural areas.

With respect to the CARP, certain activities performed may generate income and from that income the pensioner are offered help for different purchases like glasses and treatments.

These entities have an influence on the development of the local community by offering loans to the members for certain activities, members that in most cases are persons with modest or low income. [7]

Accredited protected units

Another form of social enterprises are the accredited protected units. According to Law no. 448/2006 regarding the protection of the disabled people rights, republished, with the subsequent changes and completions, an accredited protected unit is defined as public or private economic operator, that administrate its own financial resources and at least 30% of the employees are people with disabilities (Law no. 448/2006 with regard to the protection and promotion of persons with disabilities, enacted by the Parliament on 03 January 2008).

According to the same normative act, the accredited protected units can be of two types: (a) with legal personality and (b) without legal personality. Those without legal personality administrate their own financial resources, in the form of workshops, sections or other structures part of economic operators, public institutions or nongovernmental

organizations, as well as those set up by an authorized disabled person, under the legal framework, to run independent economic activities (Law no. 448/2006 regarding the protection of the rights of the disabled people).

In the context of social economy sector, accredited protected units are extremely relevant due to the fact that they provide a good representation of both social and economic objectives in the same time by creating the possibility for socio-professional (re)integration of the disabled people.

CONCLUSIONS

Currently, the associative structures are to become future lead actor for socio-economic development of the Romanian rural areas, where all citizens and other stakeholders should become active with the opportunity to develop, inform, and critically analyze the social, economic and political and develop their skills into action.

The main challenges are represented by the slow process, various resources needed to encourage, support and sustain participation, and sometimes requirements related to changes in the balance of power at the local level.

In general, the benefits of participatory approaches directly and genuinely involve local citizens (which may turn also the risk of loss otherwise) are:

-Efficient use of existing resources in a responsible way (in fact, an opportunity for local authorities, not citizen involvement from the initial project phase high risk that the community will not take the responsibility of project results, development projects are more probably perceived to belong to their originators - mostly local public administration - which represents a loss of opportunity for the local authority to transfer responsibility to the community);

-Effectiveness in the sense of legitimacy (lack of legitimacy the difficulties in implementation, community members likely will not support projects that are not real

solutions for their needs as they perceive them, even if they will support the phase implementation, they probably will not support them in the use phase results);

-Using local resources helps to avoid dependence on external solutions (community should not depend on the outside, but instead of being able to identify solutions based on local resources, office support depends on community members who are responsible for their own solutions to the needs them);

-Human resource development (human capital is itself a community development engine before any other factors, capital of a community is the capital of trust and reciprocity, which is the main resource of rural communities)

-Balancing power relations between different sections of the community (otherwise deepens inequity between different socio-economic category);

-Control the process of local development, empowerment, ownership, continuity and sustainability.

REFERENCES

- [1]Atterton, J., 2007, The Strength of weak ties: social networking by business owners in the Highlands and Islands of Scotland. *Sociolgia Ruralis*, 47, 228-245.
- [2]Cace, C., Cace, S., Cojocaru, Ș., Sfetcu, C., 2013, Social Economy In Romania – Challenges And Perspectives, *Transylvanian Review Of Administrative Sciences*, No. 40 E/2013, 5-21.
- [3]Cristea, P., 2017, The Social Economy In Romania And The Impact Of Non-Reimbursable European Funds Over This Sector *Scientific Papers Series Management, Economic Engineering in Agriculture and Rural Development Vol. 17, Issue 2, 75-80.*
- [4]Dobre-Baron, O., 2015, The Structure of the cooperative system within the contemporary market economy *Annals of the „Constantin Brâncuși” University of Târgu Jiu, Economy Series, Issue 6.*
- [5]Jack, S.L., Anderson, A.R., 2002, The effects of embeddedness on the entrepreneurial process. *J. Bus. Ventur.* 17, 467-487.
- [6]Lumbru, M., Petrescu, C., 2012, Trends and Challenges for Social Enterprises in Romania, *Volume 2, Issue 2, June 2012, 163-182.*
- [7]Petrescu, C., Stănilă, G., 2012, The Impact Of Social Enterprises On Local Development, *Calitatea Vieții*, Xxiii, Nr. 4, 2012, 345-360.
- [8]Schöning, M., 2013, Social entrepreneurs as main drivers of social innovation. In: Osburg, T.,

Schmidpeter, R. (Eds.). Social Innovation. Springer, Berlin, 111-118.

[9] Stănescu, S., Căce S., 2012, Oferta de economie socială în Regiunile de dezvoltare București-Ilfov și Sud-Est, Bucharest: Editura Expert, 252

[10] Steinerowski, A., Steinerowska-Streb, I., 2012, Can social enterprise contribute to creating sustainable rural communities? Using the lens of structuration theory to analyse the emergence of rural social enterprise. In: Local Economy, vol. 27, 167-182.

[11] The Government of Romania, 2005, National Development Plan for 2007-2010.

[12] The Government of Romania, Law no. 219/2015 – Social Economy Law.

[13] The Government of Romania, Law no. 21/2019 – Agricultural Cooperatives Law.

[14] The Government of Romania, Law no. 1/2015 – Regarding the organization and functioning of the Cooperatives

