

## RESEARCHES REGARDING FINANCING OPPORTUNITIES THROUGH STRUCTURAL FUNDS AT THE LEVEL OF SMES IN AGRICULTURE

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*Taking into consideration one of the main objectives of the European Union that is the principle of economic and social cohesion which intends to reduce the discrepancies between the development needs of the different regions and the lack of progress of some regions, including the rural areas, the paper tries to analyze the ways SMEs from agriculture sector can access structural funds and, at the same time, their financing opportunities.*

*Structural funds are the non-reimbursable funds offered by the European Union to the Member States with the purpose of solving the economic and social structural problems. Starting from the particularities of the rural SMEs' activities, in their accessing should be followed the fundamental objectives on which is concentrated the structural financing such as: promotion of the development and structural adjustment for the underdeveloped regions through ensuring the basic infrastructure which is missing and through the stimulation of investment in the economic activities; economical and social conversion in the areas which suffer economical and social changes in industrial and services sectors to the underdeveloped rural areas ; adapting and modernizing the national policies and the European Union policies and also the systems for labor, education and training.*

*In the study done on the target group, we took into consideration the fact that structural funds support the underdeveloped regions, the rural areas, where the Common Agriculture Policy (CAP) offers the financial support for the rural development besides the eligible rural areas, including the investment in agriculture units, in favour of the environment protection and for promotion of the local products. As well, there are supported innovative rural projects organized by the groups formed by local population.*

*The research results are represented by the determination, at the level of the analyzed SMEs, of the possibilities of improving the performances in their activity through structural financing.*

**Keywords:** *SMEs, structural funds, Common Agriculture Policy, European Union, financing opportunities.*

The present work has as a starting point the necessity of an evaluation of the integration chances of the SME sector in general, of the SMEs in agriculture in particular, in the European competition process.

According to certain recent studies, from a demographic point of view, SMEs density increased, reaching to 26 SMEs/1000 inhabitants, but it remains way below under the EU average which is over 50 SMEs/1000 inhabitants. At the same time, there are great differences between the different regions of the country. Thus, the region Bucharest – Ilfov, with a density of 48,56 SMEs/1000 inhabitants, is the only area in the country with a demography comparable to that of the EU countries, then follow the regions NV, V and Centre, with demographic intensities of the order 25 SME/1000 inhabitants, the SE region with about 23 SME/1000 inhabitants, and with a very low demographic intensity, under 18, are registered the regions SV, S and NE. Analyzing these data, we can conclude that one of the factors with direct influence on this process is the attractiveness of the area for investors. The study accomplished by us on the SMEs in the South-West Oltenia region confirms this fact.

On the other hand, in our opinion, we should not disregard the fact that once Romania has adhered to the European Union a slight decrease of the number of local companies is contemplated. The arguments that can be brought in this sense are connected either to the invasion or expansion of certain foreign companies, or by the imposing of certain conditions of developing the activity (the increase of the social capital, the raise of salaries, European health and environment norms, etc) to which certain companies will not be able to adapt too easily.

In order to deal with such requirements and with the competition that started before January 1, 2007 competition which for the SMEs in agriculture can be considered many times unequal due to the very high costs, they have to solve a few problems amongst which: the acute lack of work force which this sector faces, the low personal or family incomes which do not represent a motivating factor, the weak representation of young people in businesses in this field, but especially the ensurance of necessary financing.

## **MATERIAL AND METHOD**

For SMEs to register economic performances which could insure their competitiveness and longevity on the community market, they must benefit from financial support which could allow them to prepare the personnel, to make investments in order to modernize and re-technologize the equipments held, to have access to information in the interest field.

The access to financing sources represents a major factor of development and raise for the SME sector because it influences their investing capacity.

In spite of the measures taken by the government to create a favourable frame for the creation and development of the SMEs, as well as for the improvement of their access to financing sources, enough deficiencies are still registered regarding the financing. Thus, the majority of planned investments are accomplished based on their own funds (87% in the case of small investments and 77,4% in the case of investments of big impact).

The bank credits follow, to a certain distance and especially for the small investments, while the government financing sources represent only a supplementary source.

According to specialists, in developed economies the part of own funds destined to investments should be of 1/3, while in the developing countries, the report should be 2/3. Romania is still far from these ideal numbers.

The capacity of the SMEs to use financing sources more variedly is still very low (4,9%). In the selection of the financing sources, the SMEs are initially influenced by the rates of interests, but also by the complexity and the formalities imposed by the financial institutions.

The improvement of the access of SMEs in agriculture to financing represents a priority for the development of this sector of economy. Thus, the main modalities to facilitate the access to financing are the following: the improvement of the access to bank credits; the participation of companies to non-reimbursable financing programs; the development of micro-financing schemes; the development of a system to guarantee the credits at the national, regional and local level.

Among all these modalities, a major importance must be given at present to the structural funds.

## RESULTS AND DISCUSSIONS

One of the main objectives of the European Union is represented by the economic and social cohesion, necessary to promote the general harmonious development, and which requires a reduction of disparities between the development levels of the different regions and of the lack of progress of the disadvantaged regions, including the rural areas.

The politic of economic and social cohesion of the European Union for the period 2007 – 2013 has three major objectives:

- Convergence
- Regional competitiveness and the occupation of the work force
- European territorial cooperation.

The European Union offers for the economic and social development of Romania non-reimbursable funds under the form of structural funds. They represent financial instruments, administered by the European Commission, which has as a purpose to offer support at structural level.

In the period 2007-2013 three financial instruments known as structural funds (Table 1) are used:

The European Regional Development Fund (FEDR) – productive investments will be finances, which could contribute to the creation of work places, mainly through investments, mainly in SMEs, in infrastructure, in the development of the local potential through support measures at regional and local level;

The European Social Fund (FSE) – has as a task the improvement of the employment opportunities for unemployed and workers on the Unique Market, by raising their mobility and by facilitating the adaptation to the industrial changes, particularly through vocational instruction and reinstruction, as well as through recruiting systems;

The Cohesion Fund (FC) – furnishes direct financing for individual projects which support the investments in the field of transport infrastructure, energy and environment; and two complementary actions: The European Fund for Agriculture and Rural Development (FEADR) and The European Fund for Fishing (FEP).

Table 1

**Objectives and financial instruments for the period 2007-2013**

Instruments	F.E.D.R.	F.S.E.	F.C.
Objectives	<ul style="list-style-type: none"> <li>- Convergence</li> <li>- Regional competitiveness and the occupation of the work force</li> <li>- European territorial cooperation</li> </ul>	<ul style="list-style-type: none"> <li>- Convergence</li> <li>- Regional competitiveness and the occupation of the work force</li> </ul>	<ul style="list-style-type: none"> <li>- Convergence</li> </ul>
Priorities	<ul style="list-style-type: none"> <li>-Accent on the Lisbon Strategy</li> <li>- Infrastructure</li> <li>- Investments</li> <li>- Research and development</li> <li>-SMEs</li> </ul>	<ul style="list-style-type: none"> <li>-Accent on the Lisbon Strategy</li> <li>- Training</li> <li>- Occupation</li> <li>- Institutional capacity and administrative efficiency</li> </ul>	<ul style="list-style-type: none"> <li>- Environment infrastructure and transport (TEN)</li> <li>- Transport outside TEN</li> <li>- Urban transport</li> <li>- Energy</li> </ul>

Starting from the importance of the community funds which the Romanian agriculture will benefit from, there is imposed as a necessity ever more stringent the accomplishment of certain viable projects for financing from these funds, so that Romania be able to direct this money to the development of agriculture. For rural development and fishing, the European funds are worth approximately 8,35 billion euro, to which 1,95 billion are added, practically, 2 billion euro co-financing from Romania. Subsequently, over 10 billion euro during the period 2007-2013 are destined to the financing of the development project for the rural space, agriculture and food industry. But in order to receive this money, projects must be drawn up, which means that the entities in agriculture must benefit from a better counseling and a real support.

The Common Agricultural Policy, which our country will also follow with the integration in the European Union, supposes a series of measures, most of them connected to rural development. According to the Regulation of the Council of Europe no. 1290 / 2005 regarding the financing of the common agricultural politic, two European funds were created for agriculture, named FEAGA (European Fund of Agricultural Guarantee) for financing the marketing measures and FEADR (European Fund for Agriculture and Rural Development) for financing the programs of rural development.

The way in which these funds will finance in a concrete manner the investments is given by the National Program for Rural Development 2007-2013. Following the finalization of the National Strategic Plan 2007-2013, four priority directions were outlined for financing through FEADR. Thus, the reorganization and the development of the agricultural and forest production will be pursued, but also of the relative processing industries. All these will take into account the improvement of the professional competences, a lasting management and the observance of the environment exigencies. A component which the European Union focuses on is that of biodiversity and preservation of nature, which will materialize through the support of the preservation and development of the wood,

the insurance of a balanced occupation of the territory and the development of the practices of lasting management for the agricultural and forest lands. At the same time, the investments in the development of the infrastructure and the rural services will be taken into consideration, a greater importance being granted to the economic multi-functionality of the rural areas, but also the preservation and the value of the cultural and architectural patrimony. A fourth direction will deal with the implementation of certain local strategies of development for the improvement of the administrative government at the rural level.

The measures that must be taken in order to administrate the structural funds regard the preparation of the legislative frame, the hiring of well qualified personnel which should work in the newly created structures, able to develop activities of administration of the funds, audit procedures, implementation of projects and surveillance of the good development of programs.

These can be facilitated by the use of information technology within the informational society. The informational society will have a positive impact on the Romanian economy through the contribution brought to the increase of productivity, reduction of gaps and inequalities, decrease of unemployment, raise of quality of the educational system and the use of innovation in the productive activity.

## CONCLUSIONS

Following the analysis of a significant number of SMEs which develop their activity in agriculture in the region South-West Oltenia, we drew some conclusions amongst which the weak accessing of the European funds, and generally of the non-reimbursable funds, due to a very small request or to certain non eligible projects. This fact affected in a negative manner the activity, the endowment degree and implicitly their performance.

As a consequence of the lack of funds, of the unfavorable natural conditions from the last period, under 50% of the SMEs interviewed stated that they had preoccupation for the introduction of certain innovative elements, either in the structure of the product/service, or in equipments, or in the management of the company. This thing may be harmful from the point of view of the management of change, of the rapid adaptation to a new conjuncture and does not offer equal chances in the entrepreneurial competition.

Apparently paradoxical, from the total of the enterprises interviewed, micro-enterprises are those which regard the integration as a chance of enlarging the own selling market, and the skepticism raises proportionally with the measure of the companies.

Regarding the considerations issued by the representatives of the SME sector concerning the own competitiveness, many of them state that they are competitive through prices or through the report quality-price. Taking into consideration that the price to which the merchants refer is the one at the level of the year 2006, it is debatable if at the level of the salaries after 2007 this quality-price report will still

keep the advantages it had so far. The conclusion that is drawn is that without a real competition on the internal market, the preoccupation for quality and competitiveness was reduced.

As far as knowledge of the EU rules and of the criteria / norms of competitiveness is concerned, the great majority of SMEs, no matter their size, manifested a very high interest comparatively to the previous years, in order to receive more information. Information is required about regulations, new technologies, new products and materials, new orientations of the market.

At the same time, we consider that the major risk of the SME-s in the Romanian agriculture is not connected mainly to the foreign competition, but especially to the harsh tendencies at the level of the European Commission of the protection norms of the environment. There is the risk that many SMEs will not be able to function until the compliance with the new requirements is achieved and will not have the possibility to bear the high costs of certain investments that do not bring profits and will enter in bankruptcy.

Starting from the requirements and financing programs of the European Union, the analysis of the SMEs in the rural environment reveals their relatively reduced capacity to answer the exigencies regarding the supply of places of work for the population living in villages, both due to the small number and to the structure on number of employees. We notice an asymmetrical distribution of companies, the majority weight being held by micro-enterprises. Those with a higher potential of work offers, those of small and middle size are few.

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