

THE DEVELOPMENT OF SMALL AND MEDIUM BUSINESS THROUGH PROGRAMMES TO SUPPORT YOUNG ENTREPRENEURS

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***Summary.** Young entrepreneurs are the drivers of a country's economy: they are the ones to promote positive changes, innovation, have strong desire to succeed, and are performance oriented. We trust that young people - energetic, enthusiastic, with entrepreneurial spirit - can make a difference in this time of profound international disorder.*

One might ask why specifically the young entrepreneurs? Because they are creative, confident, have good business ideas, sometimes brilliant ones, but they have a lack of funding and are deterred by bureaucracy. They are in most need of state support in order to achieve a well-defined purpose. Because the young people are the most vulnerable group that have been excluded from public debates and decisions due to poor participation in both economic and social activities of the country.

***Keywords:** young entrepreneurs, small and medium business, support programmes, business incubator.*

Introduction. In today's economy, most jobs are offered by the SMEs and especially the micro-enterprises. Self-employment offers a precious opportunity to young people to use their skills and create their own jobs. This option should be considered by those involved in the profession advising of young people. The young people's interest and potential to become entrepreneurs should be strongly supported by encouraging entrepreneurial mindsets and attitudes in education and training systems. Both the public and private sector should support this action. With this purpose, young people need more opportunities to gain entrepreneurial experience, support and advice concerning the business plans, access to capital and advice at the beginning of their entrepreneurship journey. In this instance, public employment services play an important role in informing and coordinating the people who look for a job about the entrepreneurship and self-employment opportunities [5].

The most important strategy to stimulate jobs growth is to expand the number of employers. Entrepreneurship promotion is an essential component to ensure the economic development both at national and regional levels. Promotion of entrepreneurship among young people may positively influence the generation they belong to as well as the communities in which they operate. "Young people will be able to exploit more effectively their potential at work if they have entrepreneurial education, since expanding the financial literacy and entrepreneurship promotes better focus on organization needs, on understanding the need for initiative and creative problem solutions, and teamwork and cooperation needs" [3, p. 8].

The challenge in terms of integrating the young people into the labor market is

at a medium level in a favorable economic climate, but it worsens during an economic downturn - while the participation rate of young people in the global economy is still low compared to the matured population, the youth jobless rate is constant, from 2 to 4 times higher than the percentage recorded among adults [3, p.4].

Analysis of the latest researches. During the last years, the employment of young remains one of the main problems that persist in Moldova, and has been amplified and deepened by the transition to a market economy, emphasizing the mismatch between the labor supply and demand as a whole.

The strategic objectives of achieving a high degree of employment are set out in the National Strategy on employment policies for the period 2007-2015, approved by Government Decision nr. 605 from 31 May 2007.

The results of research. According to a study performed by the National Bureau of Statistics on the distribution of entrepreneurs by age, the largest share of entrepreneurs consists of two age groups - 45-54 years old (30.7%) and 35-44 years old (29.5%). These two groups together make up 60.2% of total responders. The group of young people with the greatest potential - from 15 to 34 years, represents only 22.7% , of which only 2.4% are young men and women age up to 24. The eldest group (55 years old and above) is 17.1% of respondents [2, p. 17].

The analysis of distribution by age of entrepreneurs during the years 2003-2012 showed that the average number of entrepreneurs consists of two age groups - 35-44 years old (3,000 people) and 45-54 years old (3,300 people). These two groups make up together 66.6% of the total number of entrepreneurs. The group of young people with the greatest potential - from 15 to 34 years, representing on average of only 2200 persons or 23.2%, of which only 3.2% are young people aged up to 24 years. The eldest group (55 years and above) is 11.6% of all entrepreneurs. Also we can mention that the average age of entrepreneurs is quite advanced - 45 years.

Table 1

Evolution of employees and employers divided by age groups, thousands people

Age group Period	15- 24	25- 34	35- 44	45- 54	55- 64	65 +	Total employees and employers
2003	0,3	1,4	2,7	3,8	0,3	-	8,5
2004	0,5	1,0	3,3	3,4	0,4	-	8,6
2005	0,1	2,0	3,5	2,6	0,5	0,1	8,8
2006	0,3	4,9	2,6	3,5	1,4	0,2	12,9
2007	0,6	3,1	2,7	3,7	1,3	-	11,4
2008	0,3	2,1	4,3	4,0	1,2	0,1	12,0
2009	0,1	1,6	3,9	3,5	1,3	0,1	10,5
2010	0,1	1,0	2,7	2,8	0,8	-	7,4
2011	0,3	0,9	2,2	3,4	1,2	0,0	8,0
2012	-	0,9	2,1	2,2	1,2	0,1	6,5

Source: calculated by the author according to www.statistica.md

The entrepreneurship deserves to be promoted as an alternative option for youth employment and the state entrepreneurship policies must be the same as in the European Union, based on entrepreneurship education at all levels, on a simple predictable regulatory framework, on certain support programs oriented towards

competitiveness and economic efficiency in a world that is becoming more competitive [4].

The goal of a University Incubation Center for Young Entrepreneurs is to promote innovative ideas and transform them into successful businesses and therefore to develop and enhance the growth of the regional economy, and also enhance the efficiency of interaction between education, science and business.

University incubators meet the need for action to support businesses resulting primarily from university activities (spin-offs and start-ups) having the main goal to turn research projects into productive technological activities, with efficient economic results [1].

University incubators are positioned at the intersection of two converging policies: innovation and university entrepreneurship. University incubators have the following identifiable characteristics:

a) Incubator belonging to the university, located either on campus or off campus; may also be associated with laboratories and specialized in technology start-ups. Can have multiple industries working in several areas;

b) The incubator can be associated to several universities and colleges, making the connection between them;

c) The incubator can serve a department with a specific scientific profile or could be reserved for students;

d) The incubator can be extramural, supporting the creation of small businesses, including guidance for start-ups, counseling etc.

The first three incubators are intramural – most prevalent, which favor individual guidance of projects and collaborations between entrepreneurs. Statistical analysis of the results of university incubators in the Euro-Atlantic universities confirms that the value of investments made to trigger a flow of new businesses created, has a cost recovery term of 10 years. Also, it is confirmed that about 70 % of the proceeds of university incubators come from economic valuation of intellectual property in the areas of life sciences and new drug development [1].

Research in several countries has shown that novice entrepreneurs and newly established businesses are vulnerable to failure and bankruptcy. This takes place on the ground that entrepreneurs who start a business lack the experience and skills to do business. The probability of failure is higher if they are not supported and do not understand their place in the market. In case of unequal competition they are vulnerable and therefore spend valuable resources in an effort to recover mistakes and wrong decisions.

The basic objectives of business incubators located within the university environment are:

- Developing entrepreneurship spirit among professionals, researchers, faculty, students, encouraging private initiative;
- Strengthen the link between the university and the economic environment for economic competitiveness;
- Effective use of economic and human potential from the universities and community directing it towards advanced technologies;
- Attracting private investments in research and development;

- Familiarize students with the business environment that is constantly changing;
- Encourage students to develop the practical skills required in business;
- Reduce unemployment by developing and increasing the number of competitive economic activities;
 - Orientation of intellectual and financial resources to develop the priority areas of the economy: implementing new technologies, export promotion, development of the food sector etc.
 - Promoting entrepreneurial culture and improving entrepreneurial skills in rural areas;
 - Development of SMEs in regions through increasing the number of business, and retaining the graduates of educational institutions within the region;
 - Developing regional and local economies;
 - Consolidation of a dynamic private sector, able to cope with competitive forces and international competition.

The students from the State University of Moldova, College of Economic Studies have been asked to participate in the survey related to this study. Participating students ranged from I (first) through III (third) years of their study with concentrations in: Accounting (CON), Finance and Banking (FB), Business and Management (BA). There were 219 respondents, the survey response rate being of 18,3 %.

Based on data presented in Table 2, we can form a general picture of the younger generation's desire and need to be permanently in an active pace of knowledge accumulation, selection of activities, economical processes, and social, financial development priority areas of the national economy. Out of the total number of students who participated in the survey, 90.9% wish to operate in the educational institution a University Center for Incubation of Young Entrepreneurs that would support students and develop new business ideas.

Table 2

The number of respondents which wish that their educational institution would have a University Center for Incubation of Young Entrepreneurs

	Chisinau		North Region		Central Region		South Region		Total	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
1 st Year	19	4	15	1	21	1	13	-	68	6
2 nd Year	29	5	16	-	11	-	11	-	67	5
3 rd Year	19	1	17	-	24	-	4	-	64	1
Total	67	10	48	1	56	1	28	-	199	12

* 8 students have not decided on a positive or negative response, out of which 2 students-1st year, 3 students- 2nd year and 3 – 3rd year students.

Source: elaborated by the author (based on the results of the survey)

A big problem for the entrepreneurship remains the profitable access to financing and various preferential programs (international, national, regional and local, contests, etc.) in order to support the young entrepreneurs.

In turn, the activity of Organization of Development of Small and Medium Businesses (ODIMM) encourages and supports the potential young entrepreneurs through the following Government programs – the National Program for Youth

Economic Empowerment, Program for Attracting Remittances in Economics «PARE 1 +1», a project for young people “Young Experience a Smart Solution”. These programs increase the accessibility and availability of micro-financing to those who want to start or develop a business, but who have difficulties in accessing financial resources. It must be said that over 30,000 entrepreneurs were consulted and tutored through these projects, most of them were trained in entrepreneurship and supported financially. Thus, small businesses have become partners of the existing companies, new activities have been developed, as well as area and range of collaboration between large and small businesses have been enlarged.

National Program for Youth Economic Empowerment (NPYEE) is a national program and it is implemented in all districts of the country, including Gagauzia - except Chisinau and Balti. The major aim of this program is to develop an entrepreneurial spirit among young people in rural areas of the country, providing young people with training and commercial loans with grant components. The state has allocated credits during three years (2009-2011) within the NPYEE program worth 132.74 million MDL, including 52.86 million MDL that were in the form of grants. The mentioned amounts were used to purchase two factories producing paper towels, 238 tractors, 149 sets of machinery, 41 lines for production of building materials, 39 units of woodworking machines, and 31 bakery units. In addition, 386 new companies have been created, and 88 have been developed under this program. It is to be noted that 366 companies operate in the field of agriculture, 101 - in manufacturing, and 7 - in services. The greatest number of new companies have been registered in the North of Moldova - 282, in the center – 99, and in the South - 93. Overall, the young entrepreneurs have created 900 new jobs using NPYEE [9].

Under the medium-term budgetary framework for the period 2014-2016 and Sector strategy development expenditures for the private sector, 40 million MDL annually are foreseen to finance the NPYEE, which will allow to finance about 420 young entrepreneurs businesses [8].

The Program for Attracting Remittances in Economics «PARE 1+1», aims to mobilize human and financial resources of Moldovan immigrants in Moldova's economic development by stimulating the business creation and development. It is expected that the state will contribute 1 MDL for every invested Leu (MDL), but the amount may not exceed 200,000 MDL. Since the release date, there were submitted 36 participation applications, and the first session of training was attended by 21 people. Thus, the total amount of planned investment for this program was about 35.45 million MDL, including 22.31 million MDL – as remittances, 13.14 million MDL – state grants [9].

According to the analysis made by ODIMM, the program results show that Moldovan immigrant workers who have invested remittances in their own business, worked in 29 countries, mainly in Italy - 49% , Russia - 10% , UK, USA and Portugal – 5 %.

The greatest share among people who have started a business in the home country by migrated people is the Moldovans in EU and other countries, (17.6 %).

It is good news that the Moldovan citizens wish to invest in different sectors of the economy by starting a business after the accumulated experience, knowledge, and skills abroad.

The development of the small business facilitates first of all, an exchange of experience in the relevant field between the home and host countries, because traditionally the migrants, when coming back home tend to open a business in the areas they have already known and fewer try to open a business in an unknown industry. This means that there is a transfer of knowledge, however some of these industries in Republic of Moldova are in developing stages when compared to the levels they are in the EU, technologically and methodologically speaking. Consequently, it increases the risk of declining investment in small business, and hence it reduces the potential of foreign investments [7].

During 2010-2012, the ODIMM signed cumulative grants with 142 companies created and developed from financial sources of migrant workers.

So far investments over 50 million MDL have been made, where 19.60 million MDL represent the amount of transferred grants.

As a result, every one MDL that has been given in form of a grant has attracted through the program 2.5 MDL in the national economy.

The Project for young people, "Young Experience a Smart Solution" is aiming to create and develop communication skills, teamwork and project management skills for a group of 60 students from the geographical area of the country that borders with Romania in order to boost their creative potential, proactive involvement in solving the community problems – create a cross-border network of young community facilitators, be actively involved in solving identified community problems, and identify and attract the funds necessary to solve them. The project is supported and funded by the European Union during 2007-2013, with a non-refundable amount of 144,377 Euro, which represents 89.75% of the total budget of 160,866 Euro [9].

We can also notice that the International Fund for Agricultural Development has granted Moldova 20 million dollar loan, to support young entrepreneurs and business lending in agriculture. Of that, nearly 13 million dollars will be used to provide business loans to 120 companies of young entrepreneurs. They will return 60% of the loan amount to the bank. Moldova received the loan in 2011. According to the Minister of Agriculture, it is the largest 5th loan contracted by our country from the International Fund for Agricultural Development. [8]

The Project Rural Financial Services and Agribusiness Development (IFAD-V) will be implemented in 2011-2016, with a budget of 19.5 million dollars. The project is co-funded by the Government of the Denmark with 4.5 million dollars as a grant in order to support the young entrepreneurs from the rural areas of Moldova.

Project resources will be used to grant business loans on favorable terms, to finance the rural economic infrastructure development, technical assistance, training, consultancy and support in developing the business plans for business loan beneficiaries.

The Project will be implemented through three components:

- Agribusiness Development;
- Rural Financial Services;

- Public Infrastructure Development with a rural economic character.

The implementation of the rural financial services will be achieved through three sub-components:

- Financial services for small and medium companies - long term financing of SME investments within agricultural value chains supported by the project;
- Financial services for young entrepreneurs - medium and long term financing of investments for young entrepreneurs within agricultural value chain ;
- Financial services for SCA members - short and medium term financing of micro investments through productive assets and working capital .

In order to improve the conditions to develop the agricultural companies, to generate investments and increase income from economic activity within the rural areas, the IFAD provides grants on a competitive basis, with a ceiling of 200,000\$ to economic groups for rural public infrastructure development.

The basic objectives of financial assistance is to promote economic activity from the private agricultural sector and create opportunities to sell high value products, by liquidating the infrastructure constraints and attracting investments that will contribute to poverty reduction [10].

It is necessary to mention that ODIMM joined the Enterprise Europe Network as a member, which is a European network that brings together over 580 supporting business organizations from 49 countries. Due to this fact, a Center of Excellence in Business will be created, developed with the support of cross-border project "Lead Your Way to Business" within the project "Support the implementation of the migration and development component within the EU-Moldova Mobility Partnership", financed by the European Union.

Another program that supports the initiation of youth entrepreneurship is the "Moldovan Employment and Entrepreneurship Education and Training Activity" (MEEETA) which was developed in 2011-2013 with a budget amounting to 1.3 million USD. The main objectives of this program are:

- Improve the quality of entrepreneurship educators in vocational schools in Moldova;
- Develop the business skills and knowledge based on training and education, including the development of viable business ideas;
- Facilitate the access of young entrepreneurs to financial resources necessary to start and develop a business;
- Support and motivate young people in finding employment or self-employment. [9].

The most consistent result was the development and piloting of the curriculum for "Basics of Entrepreneurship" within 15 institutions, taught in professional schools in the country. As a result of these project activities, the curricula was approved by the Ministry of Education and became mandatory starting with September 2013, also it has been proposed to be piloted in several colleges, with the intention to be introduced in this branch of post- secondary technical education.

There were 102 young people who had the opportunity to attend the courses "Capacity leadership to start a business" under this program, 98 graduates have

developed their own business plans, and from 66 applicants, 28 received grants to start their own business.

Table 3

Young entrepreneurs who have started their own business under the program MEEETA
(Moldova Employment and Entrepreneurship Education and Training Activity)

Region	Age	Type of activity	The number of jobs
Year 2011			
Soroca	30- 34	1 c accounting services, Beauty Salon	3
Pelinei	22	The processing and manufacture of wooden objects	6
Crihana veche	25	Tailoring services and sewing	4
Cahul	28-35	Production of metal objects , Accounting, floriculture ,	12
Year 2012			
Soroca	20-35	Mini - nutria farms , façade repair , Growing flowers Advertising, Services of weaving articles from vine	20
Glodeni	32	Biomass briquettes	6
Sîngerei	26	Stationary selling	3
Orhei	27	Drying fruit	4
Cahul	28	Hairdressing salon	1
Telenești	32-35	Computer repair , production of metal objects and wrought iron	5
Cantemir	21-23	Service design and furniture design	4

Source: elaborated by the author from www.meeeta.com

Connected to the aims of the above mentioned program, the program "Micro Enterprise Development Activity: Jobs for Youth" MEDA, implemented at the same time – aimed as primary support the young people to create and develop their business in Moldova as an alternative to going abroad. The project had a wide range of economic instruments (grants for equipment, subsidized loans, financial guarantees, production practices, apprenticeship, etc.).

The program objectives are:

- Developing of entrepreneurial skills to young people in Moldova;
- Financial and training aid for young entrepreneurs to start or expand their business (equipment grants, subsidized loans, financial guarantees, production practices, etc.);
- Creating communication networks between young entrepreneurs.

The graduates have applied for grants to obtain assistance in the form of equipment. The maximum amount of a grant is up to 2,500 USD. To be eligible, the entrepreneurs must come with their contribution for, at least, 25% of equity, as money or assets. Over 300 young entrepreneurs received financial support for equipment, the total amount exceeded 6 million MDL. Also 44 people attended the professional Internships (manufacturing practices), 421 beneficiaries received business legal and technical consultations, 148 people attended advanced training in

sectorial and business sessions, 18 beneficiaries have established mentoring relationships, and 44 people benefited from the grant as equipment for launching or expanding their businesses [11].

The experience of developed countries (particularly the U.S.) on incubators emphasize that entrepreneurs can focus on business development, create jobs, it ensures interaction between entrepreneurs in a dynamic and innovative environment, leading to the creation of viable small and medium enterprises.

Conclusions and Perspectives of further researches. University Incubators must allow mobilizing a network of skills to offer holders of selected projects with human, material, and financial resources. It's a network of academic activities that encourages and supports employees and university students financially, technically, and managerially, in creating their own entrepreneurship activity, using all forms of support, guidance and advice –in order to commercialize ideas or an innovative products, services or technologies, developed under the university research or collaborating research institutions.

The entrepreneurship for young people may be a key policy by involving them in the economy. The ways of involvement are the most diverse as developing the entrepreneurial capabilities through quality education, free access to information and knowledge transfer through academic exchange programs and training. Young people are the future of social and institutional capital of the country, who must have technical and analytical skills, be informed, able to run a business and find new segments to invest in the economy [6].

We can say that combining existing mechanisms of corporate financing, venture capital and business incubation services can achieve success in entrepreneurship. In turn start-up businesses can develop and enhance the local economy, which can be achieved by using funds allocated from the state, foreign and local investors, support success stories, business incubators, and support projects of encouragement of the national economy.

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АННОТАЦИЯ

Дога-Мырзак М.В. Развитие малого и среднего бизнеса путем поддержки молодых предпринимателей

Молодежь - пульс страны, содействует продвижению позитивных изменений в разных сферах деятельности, воспринимает инновационные изменения, трудоспособна, имеет желание добиться успеха. Молодежь – энергичная часть трудового потенциала, полная энтузиазма и имеющая предпринимательский дух - это те, кто могут изменить сегодняшнюю ситуацию международного кризиса.

Причина этого заключается в том, что молодежь - это творческие, уверенные в себе люди, имеющие хорошие бизнес-идеи, некоторые из них блестящие. Но самая большая проблема состоит в том, что для реализации этих идей не хватает поддержки и финансирования. Для достижения четко определенной цели необходима именно государственная поддержка , потому что молодежь является наиболее уязвимой группой населения.

С точки зрения интеграции молодых людей на рынок труда эта задача находится на среднем уровне решения в обществе с благоприятным экономическим климатом, ухудшаясь в то же время в момент экономического спада - в то время как уровень участия молодых людей в мировой экономике по-прежнему в 2-4 раза меньше, чем взрослого населения. Предпринимательство для молодежи является ключевой политикой для цели их участия в экономике.

Мероприятия по подготовке молодых предпринимателей являются самыми разнообразными в воспитании и развитии предпринимательского потенциала через качественное образование, доступ к информации и передачу знаний через программы по обмену опытом и возможности обучения.

Ключевые слова: *молодые предприниматели, малый и средний бизнес, программы государственной поддержки, деловой инкубатор.*

АНОТАЦІЯ

Дога-Мирзак М.В. Розвиток малого і середнього бізнесу шляхом підтримки молодих підприємців

Молодь - пульс країни, який сприяє просуванню позитивних змін в різних сферах діяльності, сприймає інноваційні зміни, працездатний, має бажання добитися успіху. Молодь - енергійна частина трудового потенціалу, повна ентузіазму і та, яка має підприємницький дух, - це ті, хто можуть змінити сьогоднішню ситуацію міжнародної кризи.

Причина цього полягає в тому, що молодь - це творчі, упевнені в собі люди, що мають хороші бізнес-ідеї, деякі з них блискучі. Але найбільша проблема полягає в тому, що для реалізації цих ідей бракує підтримки і фінансування. Для досягнення чітко певної мети потрібна саме державна підтримка, тому що молодь є найуразливішою групою населення.

З точки зору інтеграції молодих людей на ринок праці це завдання знаходиться на середньому рівні рішення в суспільстві із сприятливим економічним кліматом, погіршуючись в той же час у момент економічного спаду - тоді як рівень участі молодих людей у світовій економіці як і раніше в 2-4 рази менше, ніж дорослого населення. Підприємництво для молоді є ключовою політикою для мети їх участі в економіці.

Заходи по підготовці молодих підприємців є найрізноманітнішими у вихованні і розвитку підприємницького потенціалу через якісну освіту, доступ до інформації і передачу знань через програми по обміну досвідом і можливості навчання.

***Ключові слова:** молоді підприємці, малий і середній бізнес, програми державної підтримки, діловий інкубатор.*