

FINANCING OPPORTUNITIES FOR BUSINESSES STARTED BY YOUNG ENTREPRENEURS IN THE REPUBLIC OF MOLDOVA

OPORTUNITĂȚI DE FINANȚARE PENTRU AFACERI LANSATE DE CĂTRE TINERI ANTREPRENORI ÎN REPUBLICA MOLDOVA

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Rezumat. *Antreprenoriatul în rândul tinerilor din Republica Moldova reprezintă o prioritate a politicilor publice din domeniul economiei și a investițiilor, fiind implementate tot mai multe proiecte și oferite granturi și subvenții pentru tinerii, organizațiile de tineret din țară care își propun să dezvolte afaceri.*

Identificarea oportunităților de finanțare pentru abilitarea economică a acestui segment de vârstă este esențială în atragerea unui număr cât mai mare de tineri în acest domeniu, astfel încât aceștia să beneficieze de cele mai optime și prielnice condiții dezvoltării unei afaceri profitabile acasă, în Republica Moldova.

Conform datelor statistice, din anul 2009 până în 2017 cota antreprenorilor din Republica Moldova reprezentată de segmentul de vârstă 15-34 ani a scăzut cu 8,3 puncte procentuale, ceea ce confirmă necesitatea analizării și promovării oportunităților de finanțare pentru tinerii antreprenori.

Cuvinte cheie: *antreprenoriat, finanțare, proiect, tineri, grant, start-up, dezvoltare*

JEL CLASSIFICATION: G38, I38, L26, M13, R28

INTRODUCTION

As the entrepreneurship among young persons in the Republic of Moldova represented a priority of the public policies in the economic and investment field, being implemented various projects and being offered multiple grants and subventions for youth and youth organizations from our country that want to develop their own business. Therefore, the importance of this paper stands in the underlying that the increasing of economic insertion of the age segment 15-35 will have on the decrease of emigration of the population and on the increase of financial independence of the youth in our country.

The objectives of the present analysis is to emphasize the financing opportunities for youth and to analyse the characteristics and the conditions offered of some of the latest and advantageous projects for youth in order to enunciate their priorities in creating favourable investment environment for implementation of business ideas proposed by young people in the Republic of Moldova.

Presented in this article investigation was implemented based on such research methods as general-scientific methods of cognition, logical analysis, documentary method, analogy and grouping data method, graphical method, method of synthesis.

THE RESULTS OF RESEARCH

Entrepreneurship offers a large range of benefits for youth, making them more responsible and self-aware of their actions. Viewing more deeply this matter, we may consider the following benefits that it brings to youth:

- Self-awareness and self-confidence. When they achieve their first goal as a young entrepreneur, they will finally start to respect themselves and their skills.
- Independence. Young adults will be able to make their own decisions, organize their own time, and be financially independent of their parents.
- Doing what they love. Doing things that we simply do not love always leads to dissatisfaction and demotivation.

- Improvement of valuable skills. They will be able to improve your communication skills which are important for absolutely every success. Besides that, you will learn how to organize your time, be creative, improve your self-discipline, etc.
- Getting out of their comfort zone. Youngsters do not learn in school how important for their happiness and success is to take risks. Hard work is going to bring good results always. [1]

Looking on the overall data reported by MEI of the Republic of Moldova concerning support measures undertaken in 2020 in order to support the small and medium enterprise sector, refer to the fact that there were 833 approved investment projects that furtherly were financed, 235 businesses that were supported through credit guaranteeing, 4549 workplaces created and maintained, 3822 persons that benefited from trainings. All this performance indicators refer somehow to businesses started by young entrepreneur. [2]

Even though the high importance of this businesses sector is reiterated each year, data from Figure 1 show that from 2009 till 2017 the age segment 15-34 years decreased by 8,3 percentage points which was mainly caused by the increase of young persons that emigrate in other countries.

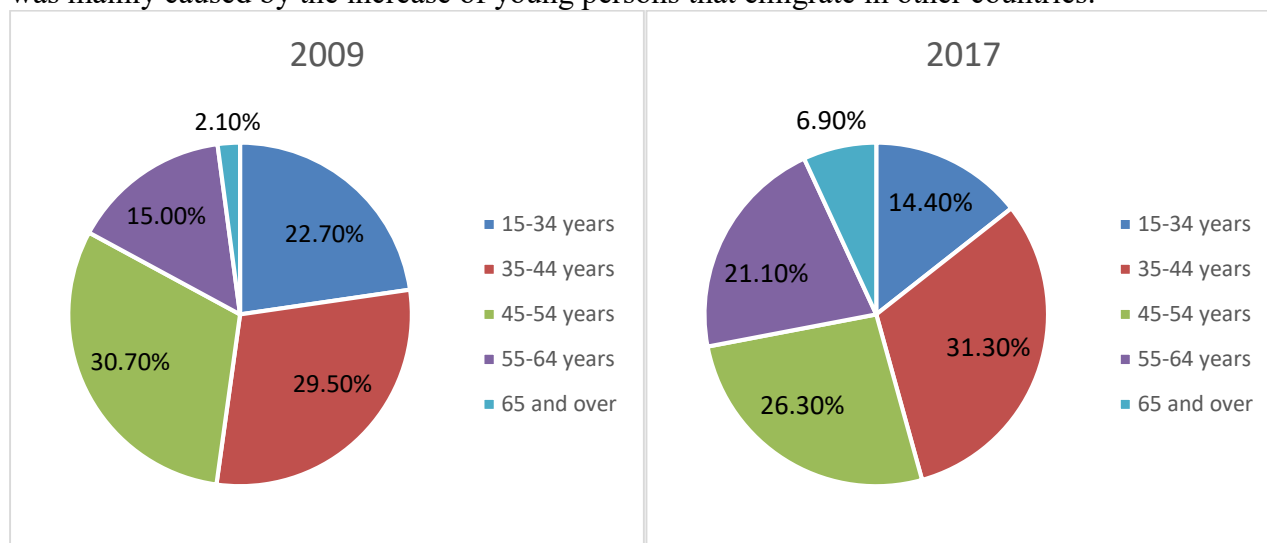


Figure 3. Distribution of entrepreneurs according to age in the Republic of Moldova

Source: elaborated by the author based on

https://statistica.gov.md/public/files/publicatii_electronice/Antreprenoriat_feminin/Antreprenoriat_Femei_Barbati_2020.pdf

Most entrepreneurs in the Republic of Moldova are between 35-54 years old. In 2017, about 31.3% of entrepreneurs were between 35-44 years old and about 26.3% - 45-54 years old, in total these two groups make up 57.6%. At the same time, a significant share of entrepreneurs (21.1%) were between 55-64 years old. The involvement of young people in entrepreneurial activities is low and declining. The share of young entrepreneurs up to the age of 35 was only about 14.4% in 2017. At the same time, a significantly increased (by about 4.8 p.p.) the share of people older than 65 years (from 2.1% to 6.9%). As a result, the average age of entrepreneurs has risen from 45 in 2009 to 47 in 2017.

These evolutions are due to the low participation of young people in entrepreneurial activities. Although during 2017 a special program dedicated to young people was implemented - the National Youth Economic Empowerment Program (PNAET), its impact was not enough to have an effect at national level. This evolution was inevitably influenced by the phenomenon of migration. The analysis of the data for the period 2014-2017 shows that, annually, about 60-70 thousand young people aged 15-34 emigrate from the Republic of Moldova, which constitutes almost half (about 45-47%) of the entire population emigrates from the country.

Young people have smaller businesses compared to other age groups. There is a close link between the age of entrepreneurs and the size of the business. As the average age of entrepreneurs progresses, the average size of the company increases. If in the case of young people up to the age of 35 the share of enterprises made up of 0-9 employees is 89%, in the case of entrepreneurs over the age of 65 it decreases to 79%, instead the share of larger enterprises increases. Young people prefer business in

the field of information and communication technology and less in the field of agriculture and industry. [3]

In order to support young entrepreneurs in the Republic of Moldova there is implied financing from different institutions and organizations such as: government, youth organizations, ODIMM, international organizations, commercial banks, microfinancing institutions, EU institutions etc. Some of the main financing programs that are implemented in our country are:

- **Grants Program for Youth Organizations** implemented by the Ministry of Education, Culture and Research of the Republic of Moldova;
- **Young entrepreneurs IFAD VII** implemented by United Nations;
- **The project "Support for the Government of the Republic of Moldova in implementing the 2030 Agenda"** implemented by German Corporation for International Cooperation;
- **Start-up for young people: A sustainable business at your home** implemented by the Organization for Small and Medium Enterprises Sector Development;
- **ECIPES Moldova Program** implemented by The Institute of Project Development and Expertise.

The recently launched is the *Grants Program for Youth Organizations*. The Ministry of Education, Culture and Research launched on January 6, 2021 the Annual Grants Program for youth organizations, which is dedicated to supporting and developing the youth sector in the Republic of Moldova which will provide, based on competition, logistical and financial support for implementation of youth initiatives, programs and projects, thus strengthening cooperation with civil society. The value of the projects applied *must not exceed 420 000 MDL*. [4]

To this program may apply non-commercial youth-organizations from the Republic of Moldova that:

- have legal status,
- have non-profit orientation,
- whose main goals are the development of the personalities of young people and their integration into public life
- may cover at least 20% of the total sum of the investment

Another important project is *"Support for the Government of the Republic of Moldova in implementing the 2030 Agenda"*. The project that the Agency for International Cooperation of Germany (GIZ) implements on behalf of the Federal Ministry for Economic Cooperation and Development of Germany (BMZ) has launched a project competition within the Innovation Fund for the Sustainable Development Goals (SDGs). The fund was created in order to support the implementation of at least six small-scale innovative projects, in order to support the implementation of the SDG in the Republic of Moldova.

Project proposals must contribute to the objectives of the **2030 Agenda** and include a partnership of at least two organizations from *different groups* (e.g. public authorities, civil society, private sector, academia), whichever is the main applicant.

Proposals may have a *maximum implementation period of 12 months* and a total budget of a *minimum of EUR 50,000 and a maximum of EUR 70,000*. The budget proposal form must include the planning of a personal contribution from the organization of at least 5% of the total budget. [5]

Maybe the most important program for youth entrepreneurship, with success history, was launched in 2019 being approved through Government Decision nr. 973 from 10 octomber 2018 is *the Program Start-up for young people: A sustainable business at your home*. It is a project developed by the Ministry of Economy and Infrastructure in collaboration with the Organization for the Development of the Small and Medium Enterprises Sector. The eligibility criteria include:

- young people who want to start a business or who have started and run a newly registered business on the territory of the Republic of Moldova, in rural or urban areas;
- young people between the ages of 18-35;
- citizens of the Republic of Moldova.

The priority features of this project are:

- businesses that will create jobs;

- businesses that contain innovative activities or intend to implement technology transfer and know-how projects;
- health and well-being; professional, scientific or technical activities;
- eventual export of produced goods. [6]

The program aimed to enroll about 600 young people in the process of generating business ideas; training and assisting at least 540 young people in initiating the development of innovative business, non-reimbursable financing in the amount of 180 thousand lei of 250 businesses initiated and developed by young entrepreneurs, including 10% of disadvantaged young people, creating and maintaining at least 400 places new work, mostly 70% in rural areas. For the implementation of the Program with a duration of 3 years, 60 million lei were allocated from the state budget.

In 2020, the project results showed the following: 240 non-reimbursable financing contracts, 182 businesses placed in rural areas, 38.71 million MDL in approved grants and 551 new workplaces created. [7]

Most important, considered by author, is the fact that in 2020, 498 young people were trained in the Program "Start for Youth: a sustainable business at home", of which: 267 young people were trained in entrepreneurship and guided in the development of investment projects; 231 young people enrolled in the process of generating innovative ideas (Hackathon). This is an opportunity to enlarge the views of young entrepreneurs in how to start and to manage efficiently an own business.

CONCLUSIONS AND RECOMMENDATIONS

The involvement of young people in our country is relatively small in comparison to other age segments. There are several sources of financing for youth, which allow an easier way to transform their ideas into real businesses, but are relatively fewer than in other countries.

However, these financing opportunities are not sufficient in order to stimulate the entrepreneurial spirit among young generation, as the migration phenomena has a powerful influence on this matter. In order to improve the situation, the government and the support organizations must face the needs of the youth and offer more facilities for those who want to explore the economic field, as well as to take measures in order to determine young people stay in the Republic of Moldova, or at least to come back after some years spend abroad and invest, develop and flourish an own business here.

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