

## **Financing the Social Businesses of Managers and Economist Engineers from Romania**

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### **Abstract**

The obvious phenomena of poverty and social exclusion in Romania have generated both the need and the opportunity to found social businesses, as well as other forms of social enterprises, which aim at limiting the above-mentioned circumstances and at reestablishing human dignity among social vulnerable groups. Managers and economist engineers belong to a category of entrepreneurs that have acquired, in the context of their initial and continuous education, professional and transversal competences. They are able to initiate social businesses that, unlike forms of business oriented towards profit, aim at eliminating the causes/restrictions that exclude certain individuals from obtaining the resources they need to live. Such enterprises are based on people's generosity and have social and altruistic purposes but still, they need sources of money in order to function and develop. As we shall point out further on, several sources of money are available for developing businesses that are not oriented towards profit.

**Keywords:** financing, social businesses, managers, economist engineers.

### **Introduction**

From our point of view, the social businesses of managers and economist engineers from Romania can be included among the new managerial-economic mechanisms aimed at answering some of humanity's pressing needs. In Romania, this necessity, of founding social enterprises, is generated by the context of poverty and social exclusion, which our country has to face and solve. These concepts have already been approached and discussed by us in a series of academic papers that have been either published or are in a process of evaluation, before publication: „Managers and Economist Engineers in the Development of the Social Economy” (Rada, Măgdoiu, 2013); „The Initial and Ongoing Training of Economist Engineers as Human Resources of the Labor Market” (Măgdoiu, Rada, 2013); „Managers and Economist Engineers between the Social Responsibility of Oil Corporations and the Development of Social Economy” (Măgdoiu, Rada et al., 2014); „Managers and Economist Engineers between Social Economy Development and Obtaining Profit” (Măgdoiu, Rada, 2014);

„Forms of Communication and Strategies adopted by Managers and Economist Engineers in the “BLACK SWAN” Situation of Social Economy” (Rada, Măgdoiu, 2016); „The Antifragile of Decisions Adopted by Managers and Economist Engineers Working in the Sector of Vulnerable Groups’ Social Economy” (Măgdoiu, Rada, 2016); „Managers and Economist Engineers between the Sociology of the Elites and the Social Economy of Vulnerable Groups” (Rada, Măgdoiu, et al., 2016); “The Contribution of Professional Associations in Romania to the Prevention of Poverty and Exclusion by Developing Social Businesses” (I.Rada, Măgdoiu & C.Rada, 2017), and “The Contribution of Managers and Economists Engineers’ Social Businesses in Reducing Unemployment in Romania” (I.Rada, Măgdoiu & C.Rada, 2017). Obviously, we should first find out if managers and economist engineers would be interested in giving up the entrepreneurship of profit-oriented businesses in favor of businesses based on altruistic objectives. We have concluded, in other papers published so far, that managers and economist engineers have the necessary professional and transversal competences to build such new forms of social businesses, but nevertheless they should be capable of understanding and accepting the quality of social activists, in other words they should not hesitate to assume the role required by the need to solve social problems. As shown by Muhammad Yunus (2010), they should give up preconceived ideas as regards obtaining profit, which are inoculated by a defective economic theory: „We should only get ourselves free from preconceived ideas that situate profit at the heart of any business, ideas inoculated through our defective economic theory” (Yunus, 2010, p. 15). Next, the financial resources for founding such businesses should be identified. It is known that, in time, development generates prosperity, but it is also known that the development of social businesses cannot happen without financing. The situation is further complicated by the absence of incomes and insufficient consumption, the total lack of opportunities, as pointed out by Marian Preda (2007) and is related to the harmonization of demand and offer for social policies as regards the way „of optimally organizing the redistribution and sharing of existing resources to the ones who benefit from different social programs” (Preda, 2007, p.84) (the systematization that has been largely taken from the paper entitled “European Welfare Policy –Squaring the Welfare Circle, published, in 1996 by Vic George and Peter Taylor-Gooby). In addition, one should take into account the fact that currently there are only “tendencies to study social economy in Central and Eastern European countries” (Buzducea-coordinator, Alexiu, 2013, p.16).

The study hypothesis we have taken into account is the primary Variable: the existence of social businesses of managers and economist engineers that are insufficiently financed in Romania, and the secondary Variable: the necessary financial resources for initiating and developing social businesses. In this empirical study we shall build a research design that would logically lead us from the primary variable to the secondary one, and would connect the empirical data related to the initial questions we intend to answer and the set of conclusions. As intermediary stages of the logical plan we can mention „gathering and analyzing relevant data” (Yin, 2005, p. 73).

## Method

From among the multiple existing research methods we have chosen the case study, which presents both advantages and disadvantages, as shown by Robert K. Yin (2005). However, our attention has been directed towards this strategy because: we start from initial questions, such as “how” and “why”; there is no total control on events; and our intention is to offer ideas to managers and economist engineers from Romania as regards the financial resources that are required for initiating and developing social businesses.

### **The study questions:**

Starting from Robert K. Yin’s (2005) recommendations we followed, in our investigation, the modality whereby we examine the empirical theme by following, throughout our research, a series of pre-established procedures.

The questions we intend to answer in this paper are:

- How should social businesses in Romania be financed?
- Why are financial resources necessary for initiating and developing social businesses?
- What are the actions of managers and economist engineers in the attempt to obtain financial resources with the view of initiating and developing their own social businesses?

The first question is related to the insufficient financing of social businesses in Romania and represents the first part of our research, the main variable, while the answers to the other two questions represent the results of our research and are proposed as solutions, indicating the secondary variable.

### **The hypothesis**

The second component of the research design is the hypothesis that directs our attention towards the existence of social businesses initiated by managers and economist engineers, which are underfinanced in Romania. We also try to see how these businesses are financed, how money can be obtained for the initiation and development of social businesses. The secondary variable is the second part of the hypothesis, i.e. why are financial resources necessary for initiating and developing social businesses and what are the actions of managers and economist engineers aimed at obtaining financial resources.

The work hypothesis: **If the managers and economist engineers, as entrepreneurs, are aware of the underfinancing of their social businesses in Romania, then they might search for, identify and access the financial resources necessary for initiating and developing such social businesses.**

### **The analysis units**

The third part of the research design focuses on the analysis units and, as shown by Robert K. Yin (2005), “it is linked to the fundamental problem of defining the case (Yin, 2005, p.37)

#### **1. The primary analysis unit**

The primary analysis unit relates to the financial resources necessary for initiating

and developing the social businesses of managers and economist engineers: sums allocated to philanthropic initiatives; donors' generosity; redirecting the sums, declared by donors (corporations) as social responsibility actions, for creating social businesses; the readiness of small and important philanthropist to invest in social businesses, investments that come in forms other than money, such as creativity, relationship abilities, new technologies, life experience; the redirecting of government money, aimed at different social programs, towards social businesses; the availability of funds, for social businesses, generated by the freely declared social responsibility of all profit-oriented companies; the insistence, as part of educational curricula in schools and universities, on the multidimensional reality of human nature, so as pupils and students might be informed on the issue of social business and get ready to initiate such businesses.

## **2. The context analysis unit**

The following analysis unit is that of the context in which the case exists, i.e. the acknowledgement of an insufficient financing of social businesses initiated by managers and economist engineers in Romania, as a result of the post-industrial stage in this country, of the existence of inequalities and inequities and the need to eliminate these, along the lack of acceptance, at the level of social policies, of the legitimizing principle for such policies, a situation that is encountered in all poor countries with subsistent economic and political systems, among which Romania is included. This study aims at defining financing in general and discussing in particular the financing of the social business developed by managers and economist engineers.

## **3. The embedded analysis unit**

The analysis unit embedded here presents the way in which managers and economist engineers can find resources for initiating, maintaining and developing social businesses in Romania. This study defines the capacity and the abilities of economist engineers and their authority to attract financing resources in order to initiate, maintain and develop social businesses.

## **4. Connecting data to hypotheses**

The research design aims at explaining the connection between data and hypotheses. It predicts the data analysis stage. The mixed model will be used for connecting data to hypothesis in our study (Yin, 2005). Data obtained is based on documents, archives, best practices, direct observation, participant observation with due observance of core principles "multiple sources of evidence (two or more sources that converge towards the same discoveries), a database (it refers to the evidence collected, not to the final report of the study) and a logical evidence (explicit links between data collected, questions and the conclusions reached)" (Yin, 2005). Then we analyze the data by examining, classifying and testing evidence, paying particular attention to the presentation of all evidence objectively, showing interest in the exploitation of alternative interpretations. Logic compels us to follow the evidence successively and observe explicit links between data collected, questions and the conclusions reached. We have looked at: data from literature; texts of various documents; direct

observations on the issue of financial resources used for initiating, developing social businesses by managers and economist engineers: amounts allocated to philanthropic initiatives, the generosity of donors, diverting the amounts of sums declared by donors (corporations) to the aspect of social responsibility, which can be materialized in creating social businesses, the availability of large and small philanthropists to invest in social businesses, investments that come in forms other than money, such as creativity, relationship abilities, new technologies, life experience, the redirecting of government money, aimed at different social programs towards social businesses, the availability of funds, for social businesses, generated by the freely declared social responsibility of all profit-oriented companies, the insistence, among educational curricula in schools and universities, on the multidimensional reality of human nature, so as pupils and students might be informed on social business and get ready to initiate such businesses; all these will demonstrate the logical connection of the initial questions, namely awareness of the insufficient funding of social businesses in Romania with how managers and economist engineers are able to attract the necessary funding sources in order to initiate, maintain and develop social businesses. The data obtained from the evidence on social programs funding: documents of EUROSTAT and Corporations; Banks sites; communication coming from various organizations; the Romania's National Institute of Statistics; texts of various documents; direct observation; all these clearly show the contextual links between the existence of social businesses, developed by managers and economist engineers, which are underfinanced, and the resources necessary for financing these forms of business in Romania, and the capability managers and economist engineers to attract funding sources.

The capacity of managers and economist engineers to attract proper funding of these social business is emphasized. We point out at the logical links between the capacity of managers and economist engineers to attract resources and the presence of necessary resources and adequate funding to initiate and develop social businesses in Romania.

## **5. Criteria for data interpretation**

This is the last component of the research design, which anticipates the data analysis stage. After gathering the data, employing the strategies and techniques chosen, the challenge lies in completing a quality analysis, which involves special attention paid to all evidence. Evidence is presented objectively and we show interest for exploring interpretations. We use combined criteria for interpreting findings, using generally logical models since "the logical model intentionally stipulates the complex interconnection between events in time. These are included in repeated cause-effect-cause-effect patterns" (Yin, 2005). Thus, the dependent variable from an initial stage "acknowledging the insufficient financing of social business held by the entrepreneurs (managers and economist engineers in Romania)" becomes an independent variable in a subsequent stage, focusing on "finding, discovering and accessing the financial resources necessary for initiating and developing such social businesses". Using the logical model involves matching the empirically observed elements.

### **Preliminary theories**

At this stage we should pay attention to preliminary theories that focus on treating

the five components of the research design in relation to the theme of the study. The elaborated theory precedes the data gathering stage, which makes this case study different from other similar methods that intentionally avoid the specification of theoretical hypotheses at the beginning of the investigations and which can be mistaken for a case study, since it is supposed, as indicated by Robert K. Yin (2005) that one can go directly to data gathering. The following stage, that of data gathering, can be approached only after the object of studies has been understood, as "creating relevant field contacts depends on the understanding – or on the theory – of the studied object" (Yin, 2005, p. 84).

As an essential part of the case study, the development of theory, is necessary for an investigation that puts forth a theory about the existence of financial resources necessary for the initiation and development of social businesses, aiming at drawing the awareness of managers and economist engineers on the insufficient funding of their social businesses and insisting on the capacity of such entrepreneurs to attract financial resources for their social businesses.

Before writing the study we analyzed the literature written on themes relating to raising awareness and building theories and we realized that concepts from economy, social sciences, finances and credit, social businesses are present, but we should point out here what we understand by those concepts in order to be able to draw significant conclusions in relation to them. The issue of conceptualization is encountered at Babbie, 2009: "The clarification of concepts is a continuous process in social research" (Babbie, 2009, p. 19). Obviously, we cannot pretend to be able to theorize exhaustively an entire range of potential theories relevant to our study and for such a reason we shall apply: a.) "Theories on individuals" (Yin, 2005, p. 50), i.e. theories about the development of managers and economist engineers as entrepreneurs. b) „Theories about groups" (Yin, 2005, p. 50), in other words about vulnerable social groups, c) „Organizational theories", such as theories about social businesses. d) „Societal theories" (Yin, 2005, p. 50), for instance the financing resources for different organizations.

First we develop a theory about the primary analysis unit, which refers to the financial resources necessary for initiating and developing social businesses by managers and economist engineers: amounts allocated to philanthropic initiatives, the generosity of donors, diverting the amounts of sums declared by donors (corporations) to the aspect of social responsibility, which can be materialized in creating social businesses, the availability of large and small philanthropists to invest in social businesses, investments that come in forms other than money, such as creativity, relationship abilities, new technologies, life experience, the redirecting of government money, aimed at different social programs towards social businesses, the availability of funds, for social businesses, generated by the freely declared social responsibility of all profit-oriented companies; operational programs for financing from European Funds for Social Economy; participation, with different projects, to different competitions related to social businesses; microfinancing; the structuring of educational curricula in schools and universities so as pupils and students might learn about social businesses and the multidimensional reality of human nature, so as they will be able to initiate such businesses. Starting from the assumption that, at the national level,

there are restrictions concerning the allocation of financial resources for constituting the funds necessary for Social Programs, by rules of international monetary behavior, we can agree with Silviu Verna (2005), who argues that: "The international monetary system is based – besides the rules stipulated in the IMF statute – on the principles it should follow in finding solutions to different problems, as well as the freely accepted behavior or behavior imposed to member states in a field or another of their monetary and financial relations with other countries" (Cernea, 2005, p. 62). This presumption is meaningful since most underdeveloped countries, among which Romania is included, started to demand massively the support of IMF. Another presumption that has to be taken into account refers to the internal repartition of funds that finance the support, donations, etc., in the account of governmental credits. As indicated by Elena Drăgoescu (2000) "The funds procured through internal distribution are used for purchasing, from producing companies, goods and services that make the object of the aid or donation made" (Drăgoescu, 2000, p. 16). To these one should add the internal constraints underlying the financing of social policies, which are determined by the effectiveness of social policies and by, as stated by Marian Preda (2007) "the optimization of the use of social expenditure which has, nevertheless, an important component that keeps the previous stage, the step collection of resources for social policies on the revenue side of the budget / social budgets "(Preda, 2007, p. 83). We can understand from what has been stated so far that it is extremely important for the managers and economist engineers, who want to initiate and develop social business, to implement their capabilities and skills to find financial resources based on people's generosity. One must also consider that a social business is one in which the investor or entrepreneur (manager or economist engineer) has as objective to support others, without intending to obtain financial gain, while developing, as indicated by Muhammad Yunus, „an authentic business, generating sufficient benefits to cover its costs and thus being able to create the resources that any successful company needs in order to support itself "(Yunus, 2010, p. 15). If an economic surplus is obtained, it is partially invested in business expansion, while another part is meant to form a reserve to be used for covering possible risks. When analyzing the size of the amounts allocated to current philanthropic initiatives and the prosperity of large foundations and non-profit organizations that have thrived thanks to the generosity of millions of donors, then we can conclude that people are glad to give money in order to support social businesses, if they think that in this way the problems of some of their fellows can be solved. When donors (corporations, companies, institutions, etc.) will realize that the social businesses, developed by managers and economist engineers, can better achieve their social objectives, they will divert an increasing part of the amounts allocated to charitable actions towards these social businesses. In the world there are important philanthropist such as Bill Gates, Warren Buffett or Muhammad Yunus, who are willing to invest in social business, but there are also many others who invest for the mere satisfaction of making a difference in the lives of their fellows, who are confronted with social problems. If some people are willing to invest only money, since they have good sources for that, some others, for instance entrepreneurs such as managers and economist engineers, who do not have financial resources available, might invest their creativity, skills, human relations, new technologies, life experiences,

skills and professional and transversal professional competences and any other resources needed in order to create their own social business. Given that large or small corporations are willing to settle their social responsibility, voluntarily declared, in order to improve their image and increase their visibility on the market and win the trust of customers and suppliers, and finally to increase profits, then they could form, from those amounts declared for social responsibility, funds for social business, that might be accessed through projects and different competitions organized in the domain of social businesses. If there are Operational Programs for financing Social Economy, from European Funds, these will be accessed through participation with projects to different competitions for social businesses. If the Romanian government launches various social programs in the field of microfinance, programs specifically designed for social businesses through offering financial support, imposing special conditions on economic operators in concluding contracts with the state for works which aim to obtain effects of a social order (public acquisition contracts / agreements framework for services that have in view social services and other specific services), start-up programs for social businesses, then managers and economist engineers, as entrepreneurs, will be able to access the funds of these programs. Of course, we cannot discuss here, by the theorizing included in this study, the full scope of financial resources aimed at supporting social businesses. The next theory is formed around the unit of contextual analysis, i.e. raising awareness about the insufficient funding of social businesses that can be initiated by managers and economist engineers in Romania as a result of the postindustrial stage in Romania, the existence of inequalities and inequities, along the need to remove such phenomena, the lack of acceptance, at the level of social policies, of the principle for legitimizing such policies, which is a necessity in all poor countries with subsistent economic and political systems, among which Romania can be included. Our study aims to define financing in general and to define the financing of social businesses, initiated and developed by managers and economist engineers, in particular. The level of financing the social businesses of such entrepreneurs should ensure the functioning of the social business so as it can generate enough benefits for covering costs and also create resources needed to support such enterprises, without preserving profit. The economic surplus will be partially invested in extending the business, while another part will form a reserve that might cover possible risks. The functioning on the principle "without loses, without dividends" has to be taken into account, since the social business should be dedicated exclusively to achieving the social objectives declared. When managers and economist engineers, as entrepreneurs, become aware of the insufficient nature of their social business, they may either use their expertise and do their own calculations, or address consultancy companies with expertise in microfinancing, that also offer their services with the same charitable purposes, so as to participate to the study for the evaluation of the necessary financial resources. The objective of the study is to identify and estimate the financing needs for the social business, the types of financial products appropriate for these, as well as the needs for financial advising for social businesses. If the synthetic results of the study indicate underfinancing or insufficient financing of the social business, then the entrepreneurs (managers and economist engineers) will be aware of the situation and use their managerial-economic



abilities and competences in order to attract the additional financial sources they need in order to make their social business functional.

The theory related to the embedded analysis unit refers to the way in which managers and economist engineers have the capacity to find resources for initiating, maintaining and developing social business in Romania. The study defines the capacity and abilities of economist engineers, as well as their authority as regards attracting financial resources with the view of initiating, developing and maintaining social businesses. If such entrepreneurs (managers and economist engineers) have acquired the necessary professional and transversal competences during the period of university studies, which we analyzed in a study entitled "The Contribution of Managers and Economists Engineers' Social Businesses in Reducing Unemployment in Romania" (Rada, Măgdoiș & Rada C., 2017), and have also acquired or have been born with human abilities, by adopting a social role, they will demonstrate their capacity to attract enough money from the multiple resources available, in order to ensure the proper functioning of their social businesses.

### Gathering evidence

For this study, we have gathered evidence from: documents, archives, best practices, direct observation, participant observation. Our attention is focused on each source in particular, respecting the principles of priority: "a.) multiple sources of evidence (two or more sources that converge towards the same findings); b.) a database (it refers to the evidence collected, not to the final report of the study); c.) a logical succession of evidence (explicit links between the data collected, the questions and the conclusions reached)" (Yin, 2005, p.122).

### **The primary analysis unit: the financial resources necessary for initiating and developing social businesses**

Some evidence on philanthropic initiatives include: The reports of activity of some philanthropic associations, over 250 philanthropic projects nominated for prizes at Gala for People ([www.marketingfocus.ro](http://www.marketingfocus.ro)); donations exceeding 18.17 million euros awarded at People for People Gala 2015 ([galantom.ro](http://galantom.ro), blog); Zuckerberg's initiative to donate his fortune: between philanthropy and PR (<https://playtech.ro/2015/initiativa-lui-zuckerberg-de-a-si-dona-averea-intre-filantropie-si-pr/>); Rihanna, being called the humanitarian personality of the year by Harvard University (<https://www.agerpres.ro/lifestyle/2017/02/23/rihanna-numita-personalitatea-umanitara-a-anului-de-catre-universitatea-harvard-08.09.05>); How do donor circles function in Romania: 190 lei donations creates jobs (<http://www.hotnews.ro/stiri-cultura-20619974-donatii-190-lei-creaza-locuri-munca-cum-functioneaza-circles-donatori.htm>); These are just a few examples of philanthropy and generosity on the part of donors. Donors (corporations) redirecting the amounts declared for submission as social responsibility by creating social business: OMV Petrom, CSR Profile (social responsibility), CSR case studies by Petrom (<http://www.responsabilitatesociala.ro/companii/petrom.html>); Orange Romania, CSR Profile (social responsibility) CSR Case Studies by Orange Romania (<http://www.responsabilitatesociala.ro/companii/orange-romania.html>); Companies

in Romania involved in CSR (<http://www.responsabilitatesociala.ro/companii.html>). The good practice of availability, in the case of large and small philanthropists, to invest in social businesses not only money but also creativity, relationship skills, new technologies, life experience; redirecting part of the money aimed for the business intended to profit towards social businesses: Grameen Bank - "the bank of the poor" grants loans even to beggars (Yunus, 2010, p. 9) (<http://www.grameen.com/>); "Grameen Telecom and Grameen Phone (<http://www.grameentelecom.net.bd/>) have provided the inhabitants with modern telecommunications and many economic and social benefits; Grameen Shakti (Grameen Energy Company) (<http://www.gshakti.org/>) solar systems company" (Yunus, 2010, pp. 37-38). Part of the money allocated by the government for various social programs: The national strategy on social inclusion and poverty reduction for the period 2015-2020 ([https://www.google.com/search?q=Gubernul+Romaniei+programe+sociale&ie=utf-8&oe=utf-8&client=firefox-b&google\\_abuse=GOOGLE\\_ABUSE\\_EXEMPTION%3DID%3D8fdc78c2c738c266:TM%3D1489847589:C%3Dr:IP%3D79.117.113.167-:S%3DAPGng0so5z8oL3ryYmVciEXqg5SfrwYfIg%3B+path%3D/%3B+domain%3Dgoogle.com%3B+expires%3DSat,+18-Mar-2017+17:33:09+GMT#q=Gubernul+Romaniei+programe+sociale+pentru+grupurile+vulnerabile&\\*](https://www.google.com/search?q=Gubernul+Romaniei+programe+sociale&ie=utf-8&oe=utf-8&client=firefox-b&google_abuse=GOOGLE_ABUSE_EXEMPTION%3DID%3D8fdc78c2c738c266:TM%3D1489847589:C%3Dr:IP%3D79.117.113.167-:S%3DAPGng0so5z8oL3ryYmVciEXqg5SfrwYfIg%3B+path%3D/%3B+domain%3Dgoogle.com%3B+expires%3DSat,+18-Mar-2017+17:33:09+GMT#q=Gubernul+Romaniei+programe+sociale+pentru+grupurile+vulnerabile&*)).

Operational programs for funding social economy from European Funds: Call for Proposals "Solidarity - Support for strengthening social economy" line of dedicated funding social enterprises (<http://www.fonduri-ue.ro/presa/noutati/2054-pocu-20-million-euro-of-the-economy-strengthening-social>); Call for Proposals for the Operational Program HELPING DISADVANTAGED PEOPLE 2014-2020: European Aid Fund for the most deprived persons supports the actions of European Union states support actions aimed at providing material assistance to the poorest sections of the population (<http://www.fonduri-ue.ro/poad-2014>). Of course, as we have already mentioned, the resources to finance social businesses are neither exhaustive nor exhaustible, but only occasionally suffer constraints due to inadequate social policies of successive governments in power. Further on we present data on "The revenue and expenditure of social protection" reported by the National Institute of Statistics, from the Romanian Statistical Yearbook 2015, p. 268:

Table 1. Capture Income and expenditure of social protection

<b>6.20 Veniturile și cheltuielile de protecție socială<sup>1)</sup></b>		<b>Income and expenditure of social protection<sup>1)</sup></b>				
	<b>U.M. / M.U.</b>	<b>2009<sup>2)</sup></b>	<b>2010<sup>2)</sup></b>	<b>2011<sup>2)</sup></b>	<b>2012<sup>2)</sup></b>	<b>2013</b>
Venituri <i>Income</i>	milioane lei <i>lei million</i>	78602	85071	90261	92826	93894
Cheltuieli <i>Expenditure</i>	milioane lei <i>lei million</i>	85223	92390	92653	91446	94136
Sold (+/-) <i>Balance (+/-)</i>	milioane lei <i>lei million</i>	-6621	-7319	-2392	1380	-242
Pondereea cheltuielilor în Produsul Intern Brut <i>Weight of expenditure in Gross Domestic Product</i>	%	17,2	17,6	16,6	15,3	14,8

<sup>1)</sup> Conform metodologiei europene ESSPROS pentru statisticile privind protecția socială.

<sup>2)</sup> *According to ESSPROS European methodology for social protection statistics.*

Date rectificate față de cele publicate anterior; datele pentru Produsul intern brut au fost calculate conform metodologiei Sistemului European de Conturi (SEC) - 2010.

*Rectified data as against those previously published; the data for the Gross domestic product were calculated according to the methodology of European System of Accounts (ESA) - 2010.*

Sursa: Colectarea națională de date conform metodologiei europene ESSPROS.

*Source: National data collection, according to ESSPROS European methodology.*

Source: Romanian Statistical Yearbook 2015, p. 268

### **The unit of analysis for the context: Raising awareness on the insufficient financing of social businesses**

The volume of resources for financing social businesses is enough as long as it ensures the development, in good conditions, of the business, so as it can generate enough benefits in relation to the established social objectives, cover its costs and create the necessary resources for supporting itself. When entrepreneurs (managers and economist engineers) understand that this standard is not fulfilled (sometimes this understanding comes too late) or they confront the risk of underfinancing their social business, they are already aware of the insufficient nature of financing for their own social business. The factors that can determine the diminishing of financial resources and lead to the insufficient financing of social business are as follows: lack of understanding or lack of dedication; absence of preoccupation, on the part of the entrepreneurs of such business, for attracting resources; economic factors that determine the diminishing of the gross national product and therefore the limitation of impossible revenues; monetary factors that influence through prices; social factors, whose influence is more and more powerful as the social role of the state accentuates, which triggers a re-distribution of resources with the view of fulfilling the needs for education health and social security of vulnerable groups; demographic factors, that in conditions of poverty or social exclusion can determine the increase in the number of vulnerable groups members; political and military factors, that get involved in the social security area through the economic, social or financial policy. Financing the social business is the operation of making available money funds from different resources, in well-determined conditions, for the specific purposes of the social business, which are irredeemable. The finances of the social business developed by the entrepreneur (manager or economist engineer) is a subsystem of economic relations between the social business, represented by its entrepreneur, and different donors, state, banks, structural operational programs, social programs, other financial institutions that can contribute to building the money funds necessary for the functioning of the social business. The entrepreneurs of the social business participate directly to the decisional process, establishing the volume and structure of the social benefits provided, the supply sources, the destination of social products, the number of personnel from among disadvantaged persons. Based on the functional autonomy of the social business, the entrepreneur decides on the destination of the possible economic surplus obtained, which can be invested, partially, for the extension of the business and partially for creating some reserve for covering possible risks. On the other hand, when the necessary of resources cannot be ensured, the causes should be immediately evaluated and action should be taken for attracting a larger amount of resources and eliminate causes. Entrepreneurs who are aware that, through their social businesses, they obtain different products that are consumption goods, must know that the state buys important quantities of products, and orders from the state can represent an important means of influencing the social business. The necessary level for financing can be estimated by the evaluation performed by companies specialized in the field of microfinancing, such as: the Institute for Social Economy (ISE) and Eurom Consultancy and Studies SRL (<http://www.ies.org.ro/info->

[stiri/vrs/IDstire/1268/t/ancheta-privind-evaluarea-necesarului-de](#) ). The objective of such a study is to identify and estimate the financing needs for the social business and the types of financial products that are adequate for the business. The negative results obtained after evaluation or observed directly will determine the action of entrepreneurs, with the view of attracting more money.

### **The embedded analysis unit: the capacity and abilities of managers and economist engineers as entrepreneurs**

Acquiring the professional and transversal competences of entrepreneurs (managers and economist engineers) are theoretically proven by the diplomas and school situation for university undergraduate and master studies, obtained from the faculties they graduated in the managerial-economic fields. These specialists are called to demonstrate the capacity to apply theory in practice by creating, as entrepreneurs, social businesses. If they decided to initiate social businesses, it also means that they have acquired, or have been born with psycho-human abilities and they will be thus able to understand the role of social activist they assume which, along their professional authority, will help them demonstrate their capacity to develop social businesses.

### **The analysis of evidence**

The analysis and examination of data presented in the Data gathering section demonstrates that the entrepreneurs (managers and economist engineers) are aware of the insufficient financing of social businesses in Romania, mainly caused by the presence of poverty and social exclusion, reflected by the ratio between national gross product and inhabitants, calculated in relation to the exchange rate (in euros), thus: in 2009, of 5,915 euro/inhabitant, at a population of 21.2 million inhabitants; in 2010, of 6,262 euro/inhabitant, at a population of 20.2 million inhabitants; in 2013, of 7,218 euro/inhabitant, at a population of 20.0 million inhabitants; in 2014, of 7,544 euro/inhabitant, at a population of 19.9 million inhabitants; or of the gross national product, calculated in relation to the Purchasing Power Parities (in PPS) at the same number of inhabitants, thus: in 2009, of 11. 900; in 2010, of 12.600; in 2013, of 14. 400 and in 2014, of 15.100. The decrease in the population number can be observed, especially as regards the active population, though the number of persons without incomes and social problems, which oscillates, is still high. Even though it might appear to decrease, if we look at the sold of the international migration movement in Romania, i.e. the changing of residence, from the Annual Statistical Report 2015 (NSI, 2016, pp. 102-103), we can see that the decrease in the number of people with social problem is just an illusion, since part of the active population has emigrated. Table 1, labelled Capture Income and Expenditure of Social Protection, indicates that the Balance is negative, i.e. the social protection revenues cannot cover the expenses, and the amount of expenditure for social protection, from the National Gross Product, continued to be under 18 at %. Data have been obtained from the Romanian Statistical Yearbook 2015. The entrepreneurs (managers and economist engineers) could search for, identify and access the financial resources necessary for initiating and developing

such social businesses from the financial resources presented in the Data gathering section. At the same time, they should look for available resources and also discover new opportunities to finance their social businesses.

## Conclusions

Social businesses, along with other forms of social enterprises, represent an urgent necessity in the context of Romania's economy, both as authentic businesses, based on social entrepreneurship, with investors that aim at supporting their fellow human beings, and as a component that is absent from economic theory.

In our opinion, Social Economy should become an independent study subject both in high-schools and in faculties, irrespective of their specialization. Given the multidimensional reality of human nature, pupils and students might have the opportunity to learn about two types of enterprises: traditional businesses, oriented towards profit, and social businesses.

Managers and economist engineers, as entrepreneurs, have the capacity to initiate, develop and maintain social businesses in Romania, the only necessary aspect in this respect being the development of a culture about social businesses.

The financial resources for founding social businesses are unlimited, but the state, affected by poverty itself, should not be expected to generate them entirely.

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