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STRENGTHENING RURAL SUSTAINABILITY THROUGH THE PROMOTION OF FAMILY ENTREPRENEURSHIP

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The article examines the contribution of family entrepreneurship to strengthening rural sustainability in the Republic of Moldova, emphasizing its role in revitalizing the rural economy, fostering social cohesion, and preserving local traditions. The research is based on the analysis of specialized literature, statistical data from the National Bureau of Statistics and the State Tax Service, as well as direct observation of entrepreneurial practices in rural communities. The SWOT analysis method was applied to identify the main strengths, weaknesses, opportunities, and threats affecting the development of family entrepreneurship. The findings reveal that family-based enterprises serve as key drivers of sustainable rural development by stimulating employment, innovation, and intergenerational continuity. Nonetheless, persistent challenges such as labor migration, insufficient financial resources, and limited institutional support highlight the need for targeted public policies promoting entrepreneurial education, access to finance, and digital transformation. The study offers both theoretical and practical insights into strategies for revitalizing rural areas through family entrepreneurship.

Keywords: *family entrepreneurship, rural sustainability, local economy, sustainable development.*

CONSOLIDAREA SUSTENABILITĂȚII MEDIULUI RURAL PRIN PROMOVAREA ANTREPRENORIATULUI FAMILIAL

Articolul analizează contribuția antreprenoriatului familial la consolidarea sustenabilității mediului rural din Republica Moldova, evidențiind rolul acestuia în revitalizarea economiei rurale, stimularea coeziunii sociale și păstrarea tradițiilor locale. Cercetarea se bazează pe analiza literaturii de specialitate, a datelor statistice furnizate de Biroul Național de Statistică și Serviciul Fiscal de Stat, precum și pe observația directă a practicilor antreprenoriale din comunitățile rurale. Prin aplicarea metodei SWOT au fost identificate principalele puncte forte, vulnerabilități, oportunități și riscuri care influențează dezvoltarea antreprenoriatului familial. Rezultatele demonstrează că întreprinderile bazate pe familie reprezintă un factor esențial al dezvoltării rurale durabile, contribuind la ocuparea forței de muncă, inovație și continuitate generațională. Totodată, provocările persistente - migrația, accesul limitat la resurse financiare și sprijin instituțional redus - subliniază necesitatea unor politici publice orientate spre educație antreprenorială, finanțare accesibilă și transformare digitală. Studiul oferă contribuții teoretice și practice privind revitalizarea zonelor rurale prin promovarea antreprenoriatului familial.

Cuvinte-cheie: *antreprenoriat familial, sustenabilitate rurală, economie locală, dezvoltare durabilă.*

Introduction

Family businesses are the oldest and most popular form of entrepreneurial activity worldwide, rooted in the presence of kinship ties between owners and employees. They serve as the primary economic function of the family, providing a stable income that helps address social challenges, strengthen family institutions, and offer employment opportunities to younger generations - on the condition that they continue the family business.

Family businesses play a vital role in rural development, influencing local communities, regional economies, and overall quality of life. The growth and development of family businesses hold significance for the global community. Given the many benefits that society derives from family enterprises, it is unsurprising that in European countries and the United States, governments place great emphasis on preserving and fostering family businesses [1, p.198, 2, 3, 4]. On a global economic scale, approximately 70 - 90% of the world's GDP is produced by family enterprises and family farms, which also generate 50 - 80% of new jobs.

In most Western countries, family businesses as a distinct category of enterprises began to flourish in the mid-20th century. During this time, they became one of the main sources of employment. According to

estimates from the European Commission, 60% of all European enterprises today - from small businesses to large multinational corporations - can be classified as family businesses [5, p. 161]. In France, family businesses account for over 80%, while in Finland, this figure reaches 95%. The global leader in this regard is considered to be England, where approximately 16% of family businesses have survived more than three generational transitions. In Sweden, over 60% of the population is employed in family enterprises. In the U.S., agriculture is almost entirely made up of various forms of family businesses: 86% of farms are individual enterprises, 8.8% are family partnerships involving close relatives, and 4.4% are agricultural corporations [6, p. 295].

Research demonstrates that family businesses are a key component of the global economy, with their primary activities including retail, catering, transportation services, repair services, construction, accounting, legal services, online souvenir sales, crafts (such as pottery, blacksmithing, and crocheting traditional costumes), as well as diverse agricultural activities (beekeeping, grape cultivation and winemaking, fruit and vegetable production and processing, herbiculture and medicinal plant cultivation, ornamental plant growing, and more). Frequently, rural family businesses are deeply connected to local cultural traditions and practices, helping preserve cultural identity while passing traditional knowledge and skills from one generation to the next.

The Republic of Moldova faces a constant population decline, aging demographics, negative natural growth, and migration. According to data from the National Bureau of Statistics of the Republic of Moldova (NBS), net migration in 2021 continued its downward trend, recording a negative balance of -45.4 thousand people. Additionally, in 2022, internal migration led to an increase of 5.3 thousand people in urban areas, to the detriment of rural areas. This migration trend can be mitigated by creating jobs and fostering family businesses at the local level. Small processing units established by family members are crucial for the future of Moldovan villages and for generating employment opportunities.

Materials and methods

The study of family businesses involves employing various materials and research methods to achieve a comprehensive understanding of this field. National-level statistical data was utilized to evaluate general trends in the family business sector. Since specific data on the status and evolution of family businesses is unavailable in the Republic of Moldova, the research relied on information from the National Bureau of Statistics of the Republic of Moldova regarding the agricultural activities of small producers and data from the State Tax Service (STS) concerning the number of registered taxpayers, particularly peasant households.

A SWOT analysis was conducted to assess the strengths, weaknesses, opportunities, and threats associated with the development of family businesses, as well as to identify strategies for their growth. Additionally, the participatory observation method was used to gain a deeper understanding of the organizational dynamics and interactions within the family business environment.

Results and discussions

The concept of „family business” can be analyzed from multiple perspectives and viewpoints. The classic definition of a family business describes it as an economic entity where a family exercises significant influence over its management and control. Ownership and control are held or transferred within the family, with the primary goal of ensuring the business's continuity for future generations [7, p. 568]. Gersick et al. [8, p. 297] define a family business as a combination of the business and family systems, where family dynamics and specific values shape the business's strategy, culture, and performance. According to the European Family Businesses [9, 10], a family business is defined by the significant involvement of a family in its ownership and management. A key criterion is the intention to retain the business within the family, regardless of company size, emphasizing that a family business is one where family members exert decisive influence on management, either directly or indirectly. This includes any business where a family controls at least 50% of voting rights (in small firms) or at least 30% (in publicly traded companies) [11]. The International Family Enterprise Research Academy [12] adds that a family business involves family participation in ownership and governance, with the objective of intergenerational transfer to ensure continuity.

Family businesses are fundamentally distinguished from other types of enterprises by the close connection between the family and the work performed. Family members share common goals and, depending on circumstances, can adapt work schedules and responsibilities to suit everyone. To preserve the family character of the business, both the company and its equity must remain under family control and be transferred from one generation to the next. Family businesses also enable a balance between entrepreneurial activities and household responsibilities, child education, and the involvement of underutilized labor resources such as children, elderly family members, and individuals with disabilities. This contributes to strengthening family relationships, increasing household income, socializing children, and helping them understand the market economy. Family businesses rely on the vested interest of family members in the results of their work, offering opportunities to develop and transfer trade secrets and to ensure generational continuity.

Family businesses are essential both globally and in the Republic of Moldova. However, significant differences in size, structure, economic role, generational transition, and adaptability highlight the need for tailored policies and strategies to support their development in specific contexts. Globally, family businesses vary widely in size, ranging from small local enterprises to renowned international corporations. In developed economies, they benefit from professional management and access to advanced financial resources and technologies, enabling international market expansion. In contrast, most family businesses in Moldova are small or medium-sized and operate in sectors such as agriculture, retail, or local services. Management is usually handled by family members, and limited access to financial and technological resources poses significant challenges to their growth and expansion.

Economically, family businesses play a critical role globally, contributing significantly to GDP and job creation. In developed economies, they benefit from favorable policies and advanced infrastructure that foster growth and long-term sustainability. In Moldova, family businesses are vital for rural areas, providing jobs and supporting disadvantaged regions. However, they face challenges such as economic instability, limited access to external markets, and insufficient government support.

Generational transition is another crucial aspect of family businesses. Globally, many companies have well-established succession systems, including transition plans, managerial training programs, and a focus on business sustainability. Notable examples include conglomerates that have successfully spanned multiple generations. In Moldova, generational transition is often problematic, as many young people emigrate or show little interest in continuing the family business, raising concerns about the future of many enterprises, especially in rural areas.

Regarding innovation and adaptation to economic and technological changes, international family businesses actively invest in technology, research, and sustainability to maintain competitiveness. Many collaborate with universities or research institutions to develop innovative products and services. In Moldova, adaptation is slower, and innovation is limited by insufficient financial resources and restricted access to advanced technologies. Most family businesses remain conservative, relying on traditional methods of operation.

In rural areas, family businesses play a significant role in job creation. Their development benefits both local communities and the families involved. Rural families can establish their own farms or engage in livestock raising, which not only provides additional income but also creates jobs for family members and, potentially, for locals in the area. Processing and packaging local products can lead to the creation of small businesses, such as food production or the manufacture of goods from local materials. These businesses support local producers and create jobs in the manufacturing process. Families can also leverage the natural and cultural resources of their region to develop tourism businesses, such as agro-tourism guesthouses, tourist trails, outdoor activities, and other visitor services. Developing rural tourism brings economic benefits and supports local employment. Many rural farmers manage family agricultural businesses and practice sustainable farming, contributing to the conservation of natural resources, environmental protection, and ecological balance. Family businesses help diversify rural economies, offering a variety of products and services. This reduces reliance on a single economic activity and makes communities more resilient to economic changes.

The legal framework for family businesses in Moldova is governed by the „Law on Entrepreneurship and

Enterprises” [13]. However, a concept closer to „family entrepreneurship” is found in legislation regarding peasant households (farms). The „Law on Peasant Farms” stipulates that a peasant household (farm) is an individual enterprise based on private ownership of land and other assets, relying on the personal labor of family members (members of the peasant household) to produce agricultural goods, conduct primary processing, and predominantly market their own agricultural production [14].

Family businesses are the backbone of small and medium-sized enterprises, playing a vital role in promoting and developing the rural economy. What sets them apart from other forms of entrepreneurship is the direct involvement of family members, who are active, goal-oriented, and responsible for the growth and continuity of the business. Family business owners also establish strong ties with local communities, supporting social initiatives and projects that benefit the entire community.

Figure 1 illustrates the evolution of peasant households (farms) in Moldova from 2019 to 2022, based on agricultural land area. During this period, the total number of households decreased steadily, from 192,881 in 2019 to 135,049 in 2022, representing an absolute decline of 57,832 households and a relative decrease of 30%. This reflects a significant reduction in agricultural activity nationwide, highlighting the challenges faced by the agricultural sector.

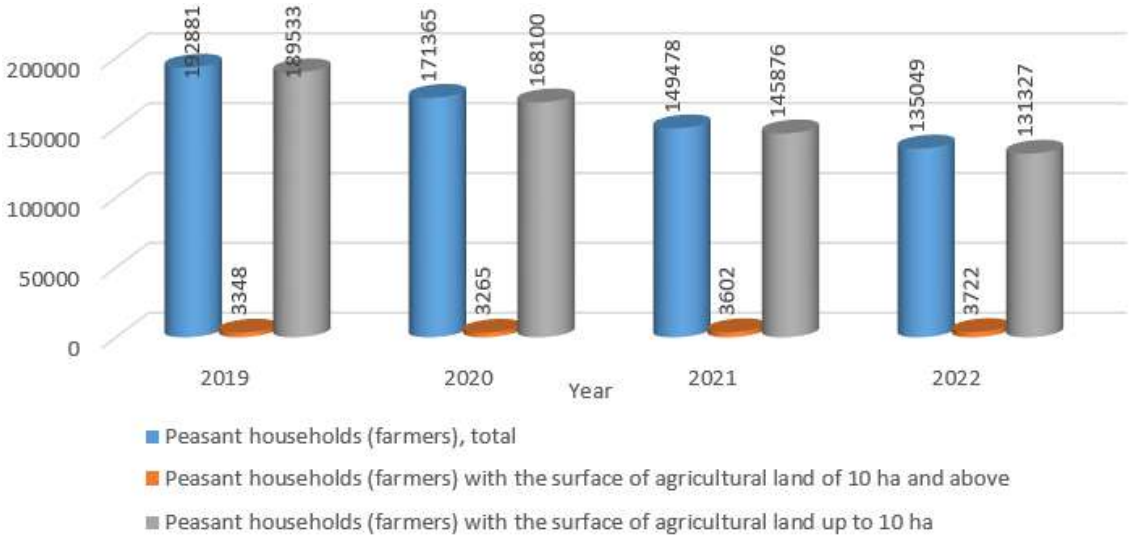


Figure 1. Evolution of the number of peasant (farms) households utilizing agricultural land According to APL data as of May 1

Source: *Prepared by the author based on data from NBS* [15]

The number of households managing agricultural land of 10 hectares or more saw a modest increase, rising from 3,348 in 2019 to 3,722 in 2022, reflecting an absolute growth of 374 households and a relative increase of 11.2%. This trend suggests the consolidation of larger farms and the potential modernization of agriculture, focusing on more efficient and competitive operations. In contrast, households with land areas of less than 10 hectares, which represent the majority, experienced a sharp decline, dropping from 189,533 in 2019 to 131,327 in 2022. This represents an absolute decrease of 58,206 households and a relative decline of 30.7%, highlighting the economic and social challenges facing small farmers, such as rural labor migration, the consolidation of smaller farms, and insufficient support.

In 2023, legislative amendments in Moldova introduced new conditions for the entrepreneurial activities of peasant households. These amendments require households whose activities exceed the scope of a family business to transition to other organizational-legal forms, significantly impacting the agricultural sector. Meanwhile, approximately 8% of peasant farms, managing more than 150 hectares of land, are considered sufficiently competitive and do not require special state protection, reflecting a trend toward their professionalization and independence. The analysis indicates a deep restructuring of Moldova’s agricultural sector, marked by a decline in the number of small households and the consolidation of larger farms. However, this transition poses challenges for smaller households, which remain vulnerable and in need of support to

adapt to the new legislative and economic conditions. A balanced policy intervention is essential to support agricultural modernization while safeguarding the social sustainability of rural areas.

Table 1. Dynamics of the number of registered taxpayers in the period 2020–2023

Categories of taxpayers	2020		2021		2022		2023	
	Number of units	Share, %	Number of units	Share, %	Number of units	Share, %	Number of units	Share, %
Total taxpayers, units	292200	100	288791	100	284427	100	201879	100
inclusive:								
Peasant households	116857	40,00	112068	38,81	105664	37,15	18298	9,06

Source: *developed by the author based on data STS* [15]

In 2023, following the enactment of legislative changes regarding the registration of peasant households (farms) with the Public Services Agency, a review of their activities was conducted. Analyzing the evolution of the total number of taxpayers and peasant households between 2020 and 2023 (Table 1) reveals several significant trends. In 2020, the total number of taxpayers was 292,200 units. By 2021, this figure had slightly decreased to 288,791 units, continuing to decline to 284,427 units in 2022. By 2023, the total number of taxpayers had dropped significantly to 201,879, marking a total decrease of 90,321 units compared to 2020, representing a reduction of approximately 31%.

Regarding peasant households, their number also fell significantly, from 116,857 units in 2020, accounting for 40% of all taxpayers, to 112,068 units in 2021 (representing 38.81%). In 2022, their number further declined to 105,664 units, accounting for 37.15% of all taxpayers. By 2023, the decrease was dramatic, with the number of peasant households falling to just 18,298 units, representing only 9.06% of the total taxpayers.

Between 2020 and 2023, the number of peasant households decreased by 98,559 units, representing a relative decline of 84%. Furthermore, their share of the total taxpayers dropped from 40% to just 9.06%, marking a significant shift in the structure of rural taxpayers.

This reduction in the number of peasant households is largely attributed to the deregistration of inactive entities. In the context of the Republic of Moldova, many officially registered peasant households were no longer engaged in actual economic activities, either due to labor migration or economic difficulties that led to the abandonment of agricultural operations. The deregistration process reflects a necessary administrative adjustment to update statistical records and provide a more accurate representation of economic activity in the agricultural sector. This measure allows authorities to differentiate between active and inactive households, offering a clearer foundation for public policy development and resource allocation.

However, the deregistration process also highlights deeper challenges, such as insufficient support for small households, limited access to markets and financial resources, and the migration of young labor to other sectors or countries. Beyond its impact on statistical records, this significant reduction in the number of peasant households could have profound social and economic repercussions, including the abandonment of agricultural land, declining rural incomes, and diminished sustainability of local communities.

To address these negative effects, proactive policies are essential. These could include supporting the remaining households by improving access to financing, promoting agricultural cooperatives, modernizing rural infrastructure, and facilitating access to both domestic and international markets.

Additionally, it is crucial to encourage young people to engage in agriculture through training programs, subsidies, and access to modern technologies. Such measures would help revitalize the sector and prevent a further decline in the number of peasant households.

The SWOT analysis (Fig. 2) for family businesses in the Republic of Moldova provides a comprehensive perspective, aiding in the development of strategies and action plans to leverage opportunities while addressing identified threats and weaknesses.

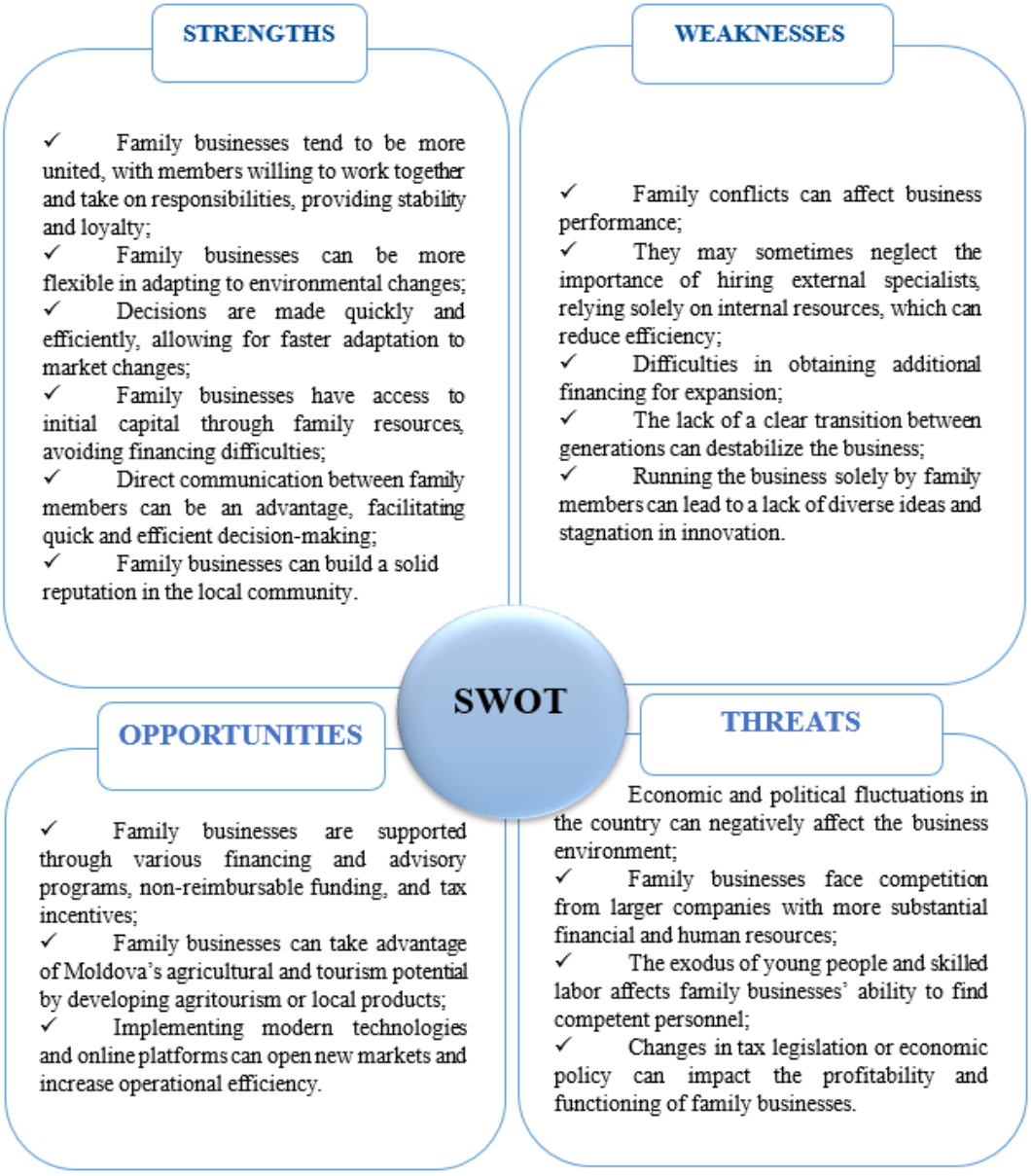


Figure 2. SWOT analysis of family businesses in the Republic of Moldova
Source: *Compiled by the author*

Family businesses possess distinct advantages and face specific challenges that significantly impact their operations. On one hand, they benefit from the unity and loyalty of family members, which enable quick adaptation to environmental changes and effective decision-making. Internal family resources can provide stable initial capital and facilitate direct communication, contributing to a strong reputation within local communities. Moreover, support through financial programs, tax incentives, and Moldova's agricultural and tourism potential can create new avenues for growth and development.

On the other hand, these businesses may struggle with internal conflicts and a lack of diverse ideas, especially when relying solely on family resources. Difficulties in securing additional financing, coupled with the absence of clear succession plans for generational transitions, can destabilize operations. External factors, such as economic and political fluctuations, competition from large companies, and the migration of young labor, further challenge the sustainability of these businesses.

In conclusion, the success of family businesses hinges on their ability to blend traditional strengths with innovation and adaptability in a constantly evolving economic landscape. Investments in technology, diversification of activities, and professional management can significantly enhance their long-term competitiveness.

Conclusions

Family businesses play a crucial role in the global economy and, in particular, in the development of rural areas in the Republic of Moldova. They serve as a driving force for the local economy and as a vital element in preserving traditions and cultural values. Despite their clear advantages, such as family unity, rapid adaptability, and access to internal resources, family businesses in Moldova face significant challenges. These include the forced migration of young talent, difficulties in accessing external financing, and slow adaptation to technological innovations - factors that collectively undermine their competitiveness and long-term sustainability.

Between 2020 and 2023, the number of peasant households in Moldova declined significantly, reflecting both an administrative adjustment to economic realities and deeper structural issues, such as labor migration and insufficient support for small farms. Generational transition remains a critical challenge, as many family businesses are vulnerable due to the lack of clear succession plans.

To support the development and sustainability of family businesses in the Republic of Moldova, more effective public policies that address both economic and social challenges are essential. The following measures are recommended:

- providing financial support to small farmers by ensuring access to European funds, offering tax incentives, and creating financing platforms to facilitate access to necessary capital;
- investing in technology and training younger generations to adopt innovative agricultural production techniques and implement sustainable, efficient farming solutions;
- promoting cooperation to improve access to external markets, reduce operational costs, and encourage collaboration and sustainable development;
- supporting entrepreneurial education to ensure viable continuity for family businesses and to mitigate the forced emigration of young talent;
- establishing a favorable legislative framework to facilitate generational transitions and provide adequate protections for small businesses, ensuring their growth within a stable and prosperous economic environment.

In conclusion, the success of family businesses in the Republic of Moldova depends on their ability to adapt to evolving economic realities, invest in innovation and technology, and benefit from supportive legislation. The recommended measures can contribute to revitalizing the agricultural sector and securing a prosperous future for peasant households.

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