FUNDAMENTAL ROLE PLAYED BY CAPITAL AND INVESTMENTS IN HOLDING DEVELOPMENT

Andrea NAGY[1], **V. GOŞA**[1]

[1] Banat's University of Agricultural Sciences and Veterinary Medicine, Timişoara
e-mail: nagyandrea79@yahoo.com

Capital represents one of the motive factors for the holding redressing. Holding development is conditioned by the possibility of investing, acquiring and using production factors corresponding to the objectives aimed at, to increase productivity and to reduce production costs, to obtain competitive products for the internal and external market. The extremely reduced investment effort in agriculture is characteristic for the last decade. This reduced investment effort has been reflected in the slow increase of capital goods and, beside them, in production levels, costs, efficiency and competitivity, and also in the development of agricultural production.

***Key words**: capital, investments, holdings*

The increase of capital role in the exploitation of natural resources and in the substitution of labor force characterizes the advanced countries' agriculture that reached a high productivity level as a consequence of technical and technological modernization.

The technical-material endowment of Romanian agriculture has reached an evident regress after 1989. During the transition period, Romania was subject to intense decapitalization tendencies in all holding types and forms, and per activities, and also to the decrease of agricultural performance. The factors that are unfavourable for agricultural modern endowment, which should provide economic efficiency increase and implicitly accumulation of capital are multiple, for example: excessive land plotting and inadequate territorial dimensions of holdings regarding the utilization of tractors and high-performance machines; heritage destruction in the process of demolition of the old property and organization structures; bad development of rural financial market; bad presence of foreign investments in agriculture; holders' lack of resources for investments and participation to the cofinancing of development projects, etc.

MATERIAL AND METHOD

The objective aimed in this work is to investigate the main indicators reflecting the level and tendencies of the economic activity efficiency in agriculture, under the impact of the changes that occurred in this branch and in the national economy, too, during the post-December period, and with consideration to Romania's adhesion to the European Union. So, we analyzed the evolution of some indicators like: total tangible assets, tangible assets in agriculture, total investments, investments in agriculture,

gross and net efficiency of fixed capital, relative demand of fixed capital for the creation of agricultural production unit or of added value.

$$\text{Relative demand for fixed capital for the creation of an agricultural production unit} = \frac{\text{Fixed capital}}{\text{Agricultural production}}$$

$$\text{Relative demand for fixed capital for the creation of a unit of gross added value} = \frac{\text{Fixed capital}}{\text{Gross added value}}$$

RESULTS AND DISCUSSIONS

After December 1989, the private sector has extended on assets, too, but it was formed, from the beginning, with a substantial fixed capital deficit. Afterwards, by deallocating or degrading some production capacities (tractors, machines, animal husbandry constructions), and also due to the lack of investments, this condition has emphasized the technological crisis within the private sector and it has led to the closeout of agricultural commercial units with state capital. Step by step, this sector will be submitted to a process of degradation, of pronounced ageing and obsolescence, without significant investments, too.

Table 1

Tangible assets in Romania's agriculture

Years	Total tangible assets in economy, million lei current prices	Tangible assets in agriculture	
		million lei current prices	% of total assets
1989	352.6	385.0	10.9
1990	404.5	377.0	9.3
1991	450.5	352.0	7.8
1992	2321.7	196.1	8.4
1993	2658.3	220.5	8.3
1994	3381.1	286.3	8.5
1995	16986.6	1931.3	11.4
1996	18893.4	1957.4	10.4
1997*	24271.4	1937.5	8.0
1998	42903.8	2736.5	6.4
1999	70194.1	2789.8	4.0
2000	144978.2	3072.3	2.1
2001	217150.6	3340.7	1.5
2002	285556.4	4158.4	1.5
2003	672244.7	8891.8	1.3
2004	552622.2	7509.1	1.4
2005	624752.8	9043.0	1.4

Source: Romania's Statistical Annuary, INS, editions 1990-2006

Because of the investment deterioration and of the bad correlation between price evolution and fixed capital reevaluation, the percentage of agriculture in total

tangible assets from economy has had oscillating evolutions between 1989-2005, with general tendencies of decreasing from 10.9%, in 1989, to 1.4%, in 2005.

Such a situation opposes strongly with the place and role played by agriculture within Romanian economy. A country whose economy depends largely (compared to all EU countries) on agriculture, where more than one third of the population employed works in this field, is impossible to dispose of less than 2% of the fixed funds in economy, under the conditions of integration into the EU, when we intend to have an agriculture that is competitive with the one in the other countries. It is obvious that our agriculture is placed in a dramatic inferiority in terms of technical endowment and production efficiency.

The lack of Romanian or foreign capital, proper or attracted through crediting, made the investments in agriculture to be smaller and smaller, and the process of creation-development, modernization and restructuring to occur very slowly. To have a clear image of the importance of investments in agriculture, under the current market economy context, we present comparatively the evolution of percentage of agricultural investments in total investments, percentage of agriculture in GDP, respectively the dynamics of agricultural investments with consideration of inflation rate during 1998-2005, according to the table below.

Table 2

Evolution of investments in Romanian agriculture during 1998-2005

Indicators	1998	2000	2001	2002	2003	2004	2005
Total investments, mil. lei c.p.	6051.5	12498.7	20419.5	27173.5	35651.2	44869.9	54566.0
Investments in agriculture, mil. lei c.p.	408.8	988.1	1297.7	3167.9	2093.7	2468.1	2122.3
Percentage of agricultur. inv. in total inv.	6.5	7.5	6.1	11.7	5.9	5.5	3.9
Total GDP, mil. lei c.p.	37379.8	80377.3	116768.7	151475.2	193067.6	236097.0	279695.4
GDP agriculture, mil. lei c.p.	5375.4	8898.4	15612.9	17301.2	22835.3	31456.3	24372.4
Agriculture percentage in GDP, %	14.4	11.1	13.2	11.4	11.8	13.3	.7
Relative dynamics of agr. inv. %	100.0	166.4	131.9	244.1	66.1	118.0	85.9
Inflation rate, %	59.1	45.7	30.3	22.5	15.3	11.9	9.0

According to *table 2*, we may notice the increase-decrease-type oscillating evolution of the percentage of agricultural investments in total investments, compared to the less emphasized decrease-increase-decrease-type oscillating evolution of the percentage of agriculture in GDP, respectively an increase-decrease-type oscillating evolution for the relative dynamics of agricultural

investments. Only the inflation rate has had a constant decreasing evolution during this period.

Considering the participation of agriculture to the creation of Gross Domestic Product, namely minimum 8.7% in 2005 and maximum 14.4% in 1998, compared to the percentage of agricultural investments in total investments in Romania, namely minimum 3.9% in 2005 and maximum 11.8% in 2002, we may say that the financial resources allocated for agriculture were reduced, insufficient for farmers and agricultural producers' needs, and they reflect agricultural removing from the process of economy development, the low level of farmers' incomes and the lack of stimuli from the market. The depreciation of the technical-material endowment, under conditions of investment decline, has led to the substitution of fixed capital with live work, with negative effects upon agricultural productivity and on the competitive supply of products.

Mean agricultural percentage in GDP in the EU member states, during 1998-2005, was about 2%, compared to 12% in the case of Romania, meaning the lack of performance in the other Romanian sectors of activity, on one hand, and the inefficiency of the agricultural sector, on the other hand.

If we add the problems and the inconvenients of the Romanian banking system, especially the big interests applied, the inflexible indemnification system and, not at least, farmers' limited possibilities of obtaining credits in concordance with the Law of Agricultural Credit for Investments, then we understand the exact dimension of the problems generated by the investment financing in agricultural sector.

In order to carry out a real comparison between the resources allocated for agriculture, we took into consideration the inflation rate and calculated the relative dynamics of agricultural investments in Romania (*figure 1*). We may observe a real increase in 2000, 2002 and 2004, compared to 2001, 2003 and 2005 when we may observe a real regression.

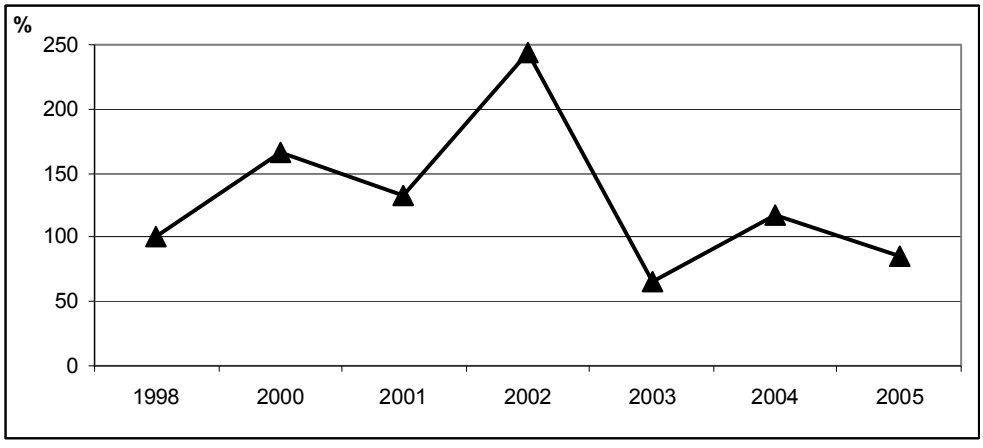

Figure 1 **Dynamics of agricultural investments (1998=100%)**

One thing is sure, Romania must produce, Romania needs investors, respectively capital to become competitive on market and to be able to attain the quantitative and especially the qualitative level imposed by the EU policy.

The expressing of the economic efficiency of technical endowments (fixed capital) from Romanian agriculture results from the reference of the agricultural production and of added value to the fixed capital and we obtain the **gross efficiency** or the **net efficiency of fixed capital utilization**, or inversely, by referring the fixed capital to the agricultural production value or to the gross added value, we obtain the **relative demand for fixed capital for the creation of an agricultural production unit** or of **added value** [3].

Table 3

Gross and net efficiency of the utilization of fixed capital and of the relative demand for fixed funds utilization

Indicators	U.M.	1996	1998	2000	2001	2002	2003	2004	2005
Agricultural production (PA)	mil.€	9643	9780	8054	10698	10105	10760	13647	12844
Gross added value (VAB)	mil.€	5298	5381	4459	5999	5535	6080	7541	6323
Fixed capital (K)	mil.€	5068	2739	1540	1284	1330	2368	1853	2496
Gross efficiency (PA/K)	€	1.90	3.57	5.23	8.33	7.60	4.54	7.37	5.15
Net efficiency (VAB/K)	€	1.05	1.96	2.89	4.67	4.16	2.57	4.07	2.53
Relative demand for fixed capital for the creation of an PA unit	€	0.52	0.28	0.19	0.12	0.13	0.22	0.14	0.19
Relative demand for fixed capital for the creation of a unit of VAB	€	0.95	0.51	0.34	0.21	0.24	0.39	0.25	0.40

Source: Calculated according to the data available in the Romania's Statistical Annuary, INS, editions 2000-2006

We specify that some data were changed into Euro (the currency applied was represented by the annual average currency) in order to counteract inflation effect, which was very big during 1996-2000.

The statistical data show positive tendencies for the indicators analyzed, the gross and net efficiency has increased and the relative demand for fixed funds has decreased. When assessing this evolution, we must mention that there is not a constant, healthy increase of indicators, but there are peaks of increase and decrease. These peaks of increase correspond to periods of Government change, when many funds were directed towards agriculture (more for the sake of propaganda), with positive effects on efficiency in those years.

Regarding the fixed capital in agriculture, we may observe a decrease during the period analyzed, from 5068 million euros in1996 to 2496 euros in 2005, leading to the conclusion that the increasing trend of gross and net efficiency was not due to the replacement of aged and obsolescent assets with other new high-performing ones which should provide the increase of production and the decrease of costs per product unit, but to the replacement of mechanical cultivators with

traditional machines hauled by animals or with manual work, the replacement of maize combine harvesting with manual harvesting in millions of individual farms, the reduction of mechanical milking, the reduction of grape processing in vine-production units, of milk processing in industrial plants, the reduction of canned food production in specialized manufactories, the reduction of crop storage in silage bunkers or cooling warehouses, etc., in favor of households, barns, depots, cellars, attics. The utilization of airplanes, chemical fertilization machines, spraying machines for plantations and orchards has become a rare phenomenon.

Consequently, data showing the increase of gross and net efficiency of the utilization of fixed funds and the reduction of the relative demand for such funds hide phenomena and processes we must consider in their correct assessment.

CONCLUSIONS

The fixed capital (assets) represents an important part of the productive capital, consisted of durable goods that participate in several production cycles, get consumed (depreciated) step by step and are replaced after many years of functioning (special constructions, tractors and agricultural machines, energetic aggregates and equipment, work equipment and installations, means of transport, draft animals and animals for production, vineyards, orchards, etc.). As a consequence, the increase of efficiency of the utilization of these capital goods, under the conditions of a modern agriculture, has a decisive role in the carrying out of a competitive production for the internal and external market.

With agriculture's percentage within the national economy (agriculture participates to the formation of Gross Domestic Product in a percentage of 8.7%, compared to Germany, for example, where this value is below 1%), the development of this is much dependent on agriculture, compared to other countries. This is the reason why we consider the agricultural development is one of the most important priorities of this period, as support for the restarting the national economy development. How much does the agriculture evolve in the right direction, if this represents stimulation for the national economy development and approach to the level reached by agriculture in other European countries are questions whose answers depend on the level and evolution of the economic activity efficiency.

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