

The Development of Home Trade and Consumer Co-Operation from the Republic of Moldova through Innovation and Social Responsibility

Larisa ŞAVGA
Cooperative-Commercial University of Moldova, Kishinev, MOLDOVA
lsavga@gmail.com

Ghenadie SAVGA
Academy of Economic Sciences of Moldova, Kishinev, MOLDOVA
shauda1@gmail.com

Tatiana SURUGIU
JAMK University of Applied Sciences, Jyväskylä, FINLAND
tatiana.surugiu@gmail.com

Abstract: Home trade and Consumer Co-operation from Moldova constitute important sectors in national economy and have a special impact upon the socio-economic development of the country through the participation at the formation of GDP and having a substantial influence upon the life's quality. During the last decades these were placed in an ample process of transformation and modernization, adjusting to economic, social and competitive realities, all of them having a different impact upon the efficiency of its activities and social responsibility.

Along with the beneficial effects and progresses registered in the evolution of home trade, resulting from the freedom of commercial activities, there are manifested some deficiencies with legislative-normative, institutional, structural, functional, consumer protection, social responsibilities character.

The maintenance of Consumer Co-operation's social-historical mission and development of competitive economy in the last two decades needs a new innovative solution for the development, which would assure the viability and durable functioning of the co-operative system. This implies the improvement of the legislative framework, optimization of the structure and the management system, the diversification and efficientization of co-operative activities.

The existent problems slow down the passing of the commercial and the consumer co-operative sectors to a modern format and alignment to European practices.

The paper offers some solutions of overcoming the mentioned deficiencies and of developing the Consumer Co-operation and home trade.

Keywords: domestic trade, trade's efficiency, Consumer Co-operation, consumers' protection, social responsibility, competition, strategy of development.

Introduction

Being an important social-economic sector in the national economy, the domestic trade of the Republic of Moldova passes through a continuous transformation and reorganization, by adapting to the economic, social and competitive realities, all of these having different influence upon the organization, management and efficiency of the commercial activity.

Trade participates at the formation of GDP. As an economic branch it contributes to the formation of the budget and at the same time this sector has an essential influence upon the life's quality. During the last years the gross added value in trade is characterized by a stable development, during 2000-2010 this increased by 4.6 times, registering 9212.9 mil. lei in 2010. In the same year the gross added value in trade grew with 15.8% in comparison to the previous year. In 2010 the share of wholesale and retail trade in gross value added constituted 15.4% (in 2000 - 14.3%). During this period, the net taxes on products grew by 6.0 times, their share in GDP increased from 12.5% in 2000 to 17.7% in 2008. In 2009 this indicator diminished to 16.0% and grew up to 16.6% in 2010.

At the same time, the participation of the wholesale and retail trade to the formation of GDP was falling in the period 2000-2005 from 12.5% to 10.4%, following a rhythm of increasing in the next years, so in 2009 the share of this branch constituted 13.2% in GDP, in 2010 – 12.8% [1, 272; 10].

1. The Small and Medium Trade Enterprises (SME)

The deepening of market relations favored the rapid development of small and medium enterprises (SME) and the trade agents knew an advanced rhythm of development (Table 1). Small and medium trade enterprises constituted 18.7 thousand in the year 2010 (for comparison in 2006 - 14.7 thousand), possessing 97.9% from the number of agents with the wholesale and retail profile. In the structure of economic activities they count for 41.0% in 2010.

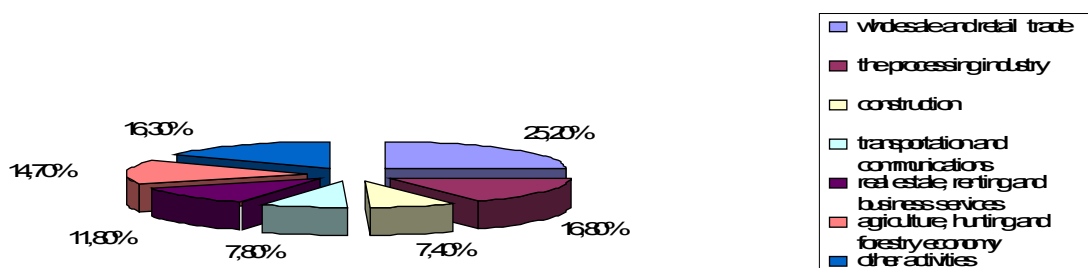
Table 1.

The dynamic of small and medium enterprises in the Republic of Moldova

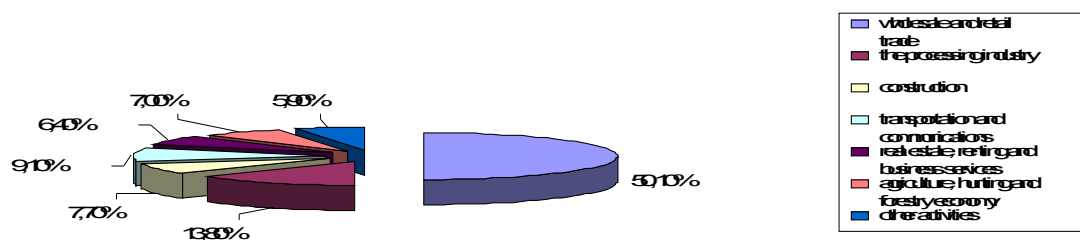
The type of activity	2006				2010				The year 2010 in comparison to the year 2006, %SME
	thousand No. of economic agents,	No. of small and medium enterprises (SME), thousand	SME		No. of economic agents, thousand	No. of small and medium enterprises, thousand	SME		
			agents, share % Total economic	According to the type of activity, share %			Total economic agents, share %	According to the type of activity, share %	
Total	36.2	35.5	98.1	100	46.7	45.6	97.7	100	128.5
of which:									
agriculture, hunting and forestry economy	2.1	2.0	100.0	5.6	2.4	2.3	95.8	5.0	115.0
the processing industry	4.7	4.5	95.7	12.7	5.1	5.0	98.0	11.0	111.1
• construction	2.1	2.1	100.0	5.9	2.6	2.5	96.2	5.5	119.0
● wholesale and retail trade	14.9	14.7	98.7	41.4	19.1	18.7	97.9	41.0	127.2
transportation and communication	2.6	2.5	96.2	7.0	3.2	3.1	96.9	6.8	124.0
• other activities	9.8	9.7	99.0	27.4	14.3	14.0	97.9	30.7	144.3

Source: National Bureau of Statistics [1, 497, 503;10]

Within small and medium enterprises trade occupies the first place according to the number of employees at these enterprises, overcoming the number of those involved in other strategic domains of national economy. In the activity of wholesale and retail trade there are 77.9 thousand employees or 25.2% from the number of employees within small and medium enterprises (Figure 1).



a. employees



b. SME's profit

Figure 1. The structure of employees (a) and of SME's profit (b) within the small and medium enterprises by the types of economic activities, 2010 *Source:* [10]

All these prove that trade became an attractive domain for small and medium business and will continue to remain in the top preferences in business in the future.

Consequently, the analysis of financial situation of SME highlights the fact that during 2006--2010 the profit registered by all types of SME increased by 2.9 times, of wholesale and retail companies – by 2.7 times [1, p.504; 10]. The latest obtained 37.9 % from SME's profit in 2010 (in 2006 – 41.9%). In 2009, the period mainly affected by world economic crisis, SME's profit essentially diminished, constituting 40.9% in comparison to 2008, the same tendency being in SME from trade – 44.1%. In 2010 the profit of SME has substantially increased in comparison to 2009 – by 2.3 times. The same tendency was also observed for SME from the domain of trade (2.1 times).

The exposed situation confirms the existence of some deficiencies in organizing, economy and management of SME and the necessity to interfere in the regulation of this sector, which would stimulate the legalization and efficiency of SME's activity. Among the priority actions, in our opinion, there may be highlighted: assuring a legislative, normative framework favorable to establish and develop small and medium enterprises, improvement of financial environment for these enterprises, promotion of entrepreneurial culture and managerial performances of SME, developing competences and increasing their social responsibilities.

The development of entrepreneurship in the domain of trade generated the diversification of forms of organizing the commercial activity and the enlarging of non-organized trade sector (Table 2).

The evolution of retail trade's turnover in the Republic of Moldova

Table 2.

Indicators	2000	2005	2008	2009	2010	2010 / 2000, %
Value of retail trade turnover, mil.lei,						
of which:	6012.0	19487.7	34684.4	32143.0	38765.8	644.8
- trade enterprises (organized sector)	3193.7	11030.8	21387.2	19960.6	25096.5	785.8
- markets (non- organized sector)	2818.3	8456.9	13297.2	12182.4	13669.3	485.0
The share of sales through trade enterprises (organized sector), %	53.1	56.6	61.7	62.1	64.7	

Source: National Bureau of Statistics [1, 465; 10]

In the latest years there was remarked a tendency of passing the trade from non-organized to organized forms of activities. In 2010 through commercial units there was sold 64.7% from the total volume of sales (year 2000 – 53.1%). We consider that in the future this tendency will be amplified as a result of the reform of entrepreneur's patent [6, 8, 9], which goal is to facilitate the passing of some patents' holders to other organizational-juridical forms.

Although the reform has positive effects upon the quality of commercial service and social responsibility of merchants and the consumers' protection, its unfurling faces social-economic problems and resistance from patent holders.

2. The Retail Trade

The development of commercial entrepreneurship generated modifications in the sales structure on the form of property. The dominant share is attributed to retail sales in the private sector – 66.5% followed by mixed and foreign enterprises – 29.5% in 2009, in 2010 it constituted respectively 68.3% and 28.5%. During the last years the tendency is manifested by passing the enterprises with mixed property without foreign participation to private sector (the sales share for these enterprises in the year 2010 was 1.5% in comparison to 13.7% in the year 2000) [2, 464;10].

An important role in the modernization of retail trade and increasing of quality of commercial services, assuring the consumers' protection is attributed to commercial infrastructure (Table 3). Beginning with 2000 it is noticed a rapid increasing of number of stores and an accelerated rhythm being registered by stalls as a result of entrepreneurship's development in the trade domain. In the year 2010 there were functioning 12215 stores or 1.9 times more than in 2000, the number of stalls increased by 2.2 times. At the same time with the increasing number of shops there was manifested the tendency of increasing the medium area of the shop (in 2010 – 89.0 m²). The density of retail network is advancing (in 2010 to 1000 inhabitants amounted 238.9 m², in 2000 – 120.5 m²), at the same time it still remains under the level of norms for assuring with commercial space (260 m² to 1000 inhabitants). On the territorial profile the deviations are bigger.

The infrastructure of retail trade

Table 3.

Indicators	2000	2005	2008	2009	2010	2010 / 2000, %
Trade enterprises – total, of which:	6549	8350	11066	11082	12215	186.5
● stores	5316	6662	8527	8889	9556	179.8
● stalls	1233	1688	2539	2193	2659	215.7
Commercial area of stores:						
● total, thou. m ²	438.0	521.1	699.0	750.6	850.9	194.3
● in average per one store, m ²	82.3	78.2	82.0	84.0	89.0	108.1
The situation per 10.000 inhabitants :						
● retail trade enterprises	15	23	24	25	34	226.7
● commercial area , m ²	1205	1452	1958	2105	2389	198.3

Source: National Bureau of Statistics [1, 467;10]

From 2000, the structure of trade is actively modifying. First of all, these changes influenced the trade from urban area, by geographic expansion of transnational commercial networks and appearance of home networks, substituting small merchants. At the same time, the number of private merchants remains dominant, especially in rural area.

An important role in optimizing the distribution of goods is attributed to wholesale trade. Although in wholesale trade appear tendencies of increasing, it still remains a sector which is insufficiently regulated and monitored. The volume of wholesale sales in current prices increased by 1.5 times in the years 2006-2010 (the data of the wholesale trade is being reflected in the official statistics beginning with 2006). In the sales structure 71.2 % from the total volume of sales is assigned to private enterprises, to mixed (with the participation of foreign capital) and foreign enterprises 28.4% (Table 4). The dominant share in the structure of sales in territorial aspect goes to Chişinău -79.9%, Bălţi – 5.2% and other regions –14,9%. This structure was stable during the referred period.

The structure of wholesale trade turnover by forms of ownership

Table 4.

	2006	2007	2008	2009	2010		2010/ 2006, %
					mil.lei	share,%	
The volume of wholesale trade– total	23236.2	28624.8	32314.1	28209.2	34723.7	100.0	149.4
of which:							
public	290.8	292.6	236.0	22.3	40.7	0.1	14.0

private	15712.0	19531.0	22692.8	20890.6	24729.7	71.2	157.4
• mixed (public and private), without foreign participation	107.8	85.4	81.3	94.1	99.3	0.3	92.1
• joint ventures and foreign	7125.6	8715.8	9303.9	7202.2	9854.0	28.4	138.3

Source: National Bureau of Statistics, *Consolidated report on the wholesale trade of the Republic of Moldova in 2006-2010*

In the quantitative aspect, trade registers continuous increasing on all the dimensions but economic efficiency of this sector's functioning is diminished. During the last years the share of trade enterprises which work in losses is maintained at the level of 50%. So, in 2010 from 19095 wholesale and retail enterprises activated profitably only 8395 economic agents (44.0% from the total number), 9722 enterprises finished the financial year in loss (50.9%), did not unfold activity – 978 enterprises (5.1%). This tendency comes into contradiction with the continuous increasing of number of economic agents in this domain. The number of trade enterprises grew in the years 2005-2010 with 5189 units or with 37,3% [1, 497; 10].

Such situation justifies the existence of problems and imbalance in trade, deficiencies of social responsibility character and the necessity of the efficient mechanisms to improve the situation, to place the trade in a framework of social and economic responsibility.

The development of trade's entrepreneurship, of free market relations along with the positive impact on this domain, generated certain difficulties in the functioning of commercial system, in assuring the protection of consumers and the quality of commercial services, all these, at their turn, having a negative impact on the social responsibility of trade.

The implementation of the Strategy for supporting the home trade's development in the Republic of Moldova for the years 2007-2009 [4] unfortunately did not solve all apparent problems in trade.

The contradiction between the new economic conditions and the existent commercial managerial practices, the problems generated by them require new approaches, policies, strategies, actions, which would solve these deficiencies and would favor the evolution of this sector.

In such a context the following activities became very important:

- *elaboration of mechanisms for implementing new Law on domestic trade* [7], which is still of prior importance for trade's development;
- adoption of the *regulatory framework* in trade area, first of all:

➤ *the typology of wholesale and retail traders and particularly:*

- the elaboration of the nomenclature of types of wholesale structures, the regulations of organizing, functioning and management in this domain;
- improving the nomenclature–type of retail commercial units applied at present [3], aligning to the competitive environment and good international practices;
- *regulation of the requirements for qualifying the personnel who are involved in trade, their social responsibility;*
- *establishing an efficient control system, which would assure the goods' harmlessness and the security of goods commercialized in the trading networks;*
- *establishing an efficient system of monitoring, of observing the rules of organizing the trade's activity;*
- elaboration of new policy documents in the domain of home trade, including the new Strategy for developing the domestic trade on long and medium term.

These actions would assure the continuity of reforms in trade, increasing the quality of commercial activities and services, of economic efficiency and social responsibility in this sector.

3. The Co-operative System in Moldova

Important roles in providing the population with consumer goods is attributed to Consumer Co-operation which is the largest distributors in the country, operating primarily in rural markets and which provide the population of this area with necessary goods and services. Co-operative enterprises unfold different activities: trade, procurement of agricultural products, of zootechnical products and products of other nature, processing, rendering services, including public catering. Thus, Consumer Cooperation, according to its mission and objectives, exercises an important economic and social role in the society. Traditional trade is the domain with the dominant share of the turnover of Consumer Cooperatives (80%). Obviously, efficiency in this area largely determines the efficiency of the entire cooperative system. At present there are 2,295 trade co-operative units which constitute 20.7% from their total number from the country.

During the last two decades the co-operative system in Moldova has gone through different periods of increase and decline, maintaining its socio-economic position on the national market because it offers benefits, especially to rural population, in satisfying the consuming needs and some from those with social character.

The period until 2002 was characterized by economic decline of the cooperative system's activity, loss of positions in the domestic market. By 2002-2003 the regression tendencies were stopped, in the period 2003-2008 there were outlined tendencies of economic growth. Thus, in this period:

- retail sales increased (in current prices) by 2.3 times, wholesale sales – by 4.1 times (Table 5), volume of industrial production - by 1.3 times, purchasing activity – by 2.5 times, the volume of services rendered to the population - 2.5 times, including public catering - 2.4 times;
- internal investments in the development of the cooperative sector were 112.8 million. lei;
- the cooperative infrastructure developed, especially the commercial one (re-opening of 580 stores, modernizing of 858 stores);
- economic efficiency of the system has been growing.

In 2009, following the global economic crisis, there was a falling of economic and financial indicators of the activity of Consumer Co-operation, but in 2010 the situation became stable, there were marked tendencies of raising the economic indicators.

Retail and wholesale turnover of the Consumer Co-operation of Moldova (mill. lei)

Indicators	2003	2005	2006	2007	2008	2009	2010	2010/2003,%
Retail trade	357.4	539.6	620.1	710.8	814.0	655.0	687.6	192.4
Wholesale trade	17.4	35.9	58.2	82.9	71.1	44.5	58.8	337.9

Remediation of activities and trends of economic growth in the co-operative sector in recent years, that deserve to be appreciated, however, in our view, cannot be valued to be for long term and may not constitute a basis for future sustainable development because the main issues that determine the functionality and evolution of Consumer Cooperation, motivation of all its participants (members, employees etc.) are not solved, although they are often discussed.

Also it is needed to mention that:

- the share of retail sales of consumer cooperatives in the rural trade is in decline (from 20% in 2006 to 12.1% in 2009);
- the technical-material basis is used only partially, in retail trade only about 75% of the infrastructure is used, in other domains (industry, procurement) utility of infrastructure is lower;
- institutional capacity of the cooperative system for investments in the development of the infrastructure is limited in comparison to the needs (according to the Strategy for development of Consumer Co-operation for 2008-2011 the need of investments is valued at 217 million lei for the period of its implementing).

The analysis of trends and phenomena that occur in the system of Consumer Co-operation in the last two decades allows concluding that the existing socio-economic model of co-operative system and of its subjects include lags behind in relation to contemporary economic challenges and does not motivate for sustainable development and achieving competitive advantages in a competitive economy.

Conclusions

In order to ensure the functionality of Consumer Co-operatives and its future progress, we consider necessary to:

- *optimize the management system of Consumer Co-operation* (reducing the hierarchy structure and moving to the two-levels structure) and reconsidering the proprietorship relations within Consumer Co-operation (which started in 90's and is not completed), taking into account the current conditions and international experience;
- *create legal conditions for attracting foreign investments and the internal ones* (from its members, employees):
 - reassess of the traditional economic branches of Consumer Co-operation, assessing their competitive advantages, participation in servicing the co-operative members and reorienting the system towards those branches that ensure competitiveness on national level and the efficiency (in our opinion, such branches are trade and rendering services);
 - evaluate the technical-material basis of Consumer Co-operation, the determination of the necessary infrastructure for continuous functioning of perspective branches, sale the surplus of property through the real estate market and reinvest the obtained sources in the development of co-operative's infrastructure;
- *operate the modifications in the existent legislative framework*, first of all in the Law of Consumer Co-operation, 1252/2000 [5] which derive from the above-mentioned points;
- *create and develop a unique and efficient distribution and commercial management system*, of modern concepts of commercial networks within the Consumer Co-operation.

The implementation of the proposed suggestions would contribute to trade's and Consumer Cooperative's improvement in the Republic of Moldova, adjusting to European practices in these domains, their advancing in qualitative, efficient and responsible framework.

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