Non-farm businesses local economic integration level: the case of six Portuguese small and medium-sized Markettowns[♦] - a sectoral approach[♦♦]

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Small and medium-sized towns in rural areas are of particular interest at this stage in the evolution of the European CAP. Serious consideration is being given to mechanisms that could transfer resources from the agricultural sector into a more diversified rural economy in order to safeguard the well-being of both the farming community and the wider rural population while still preserving the environmental assets which are such a valued feature of Europe's rural areas. Small and medium-sized towns are potentially attractive as a focus for future rural development initiatives because: ● The concentration of initiatives within such settlements takes advantage of the economies of agglomeration while allowing the benefits of such initiatives to spread out from these sub-poles into the surrounding countryside; ● Small and Medium-sized towns contain the concentration of both human and institutional capacity required for "bottom-up" initiatives of which the LEADER approach to integrated rural development is a good example; ● Small and medium-sized towns often contain the administrative infrastructure required to manage rural development initiatives on behalf of regional, national or European authorities in a properly accountable and auditable manner; ● In regions where land is scarce and the population density high, small and medium-sized towns provide the right locations to foster beneficial rural development while preserving the environmental assets of the open countryside.

The ESDP – European Spatial Development Perspective, a document published in May 1999 by the European Commission regarding the ballanced and sustainable development of the territory stresses the role of small and medium-sized towns in the spatial orientation policies. It points to the "development of a polycentric and balanced urban system" as one of the main development guidelines. It also refers the strengthening of partnerships between urban and rural areas" as a means of overcoming the outdated dualism between city and countryside. One of the policy options of this polycentric spatial development towards a new urban-rural relashionship mentioned in point 3.2.3 (Indigenous Development, diverse and Productive Rural Areas) make it clear the important role small and medium-sized towns are expected to play as focal points for regional development and promotion of their networking.

With this paper we wish to analyze the results provided by around 150 questionnaires addressed to non-farm businesses in each of the three small and three medium-sized Portuguese towns chosen to be studied in order to draw some conclusions about the purchases and sales local economic integration of these firms regarding: - the relative importance of some of the firms' characteristics; - the question whether the size of the town matters; – the economic sector where the firm developed its activity; and, finally, - the role of the main economic activity of the town in terms of employment and proximity of a metropolitan area.

INTRODUCTION

The major challenge currently facing rural Europe is to find and promote appropriate forms of economic development to maintain and improve the social and economic vitality of rural areas as they adjust to the changing demands placed upon them by Society and by the market economy. The proposed project focuses on the role that small and medium-sized towns play in rural development. It seeks to measure the economic linkages between such towns and the surrounding countryside in order to assess their present and potential role as growth poles in rural development. Since the proposed project will pay particular (but not exclusive) attention to the linkages with farm businesses and households, it will also help measure the likely impact of changes in agricultural policy on other sectors of the rural economy.

The project will yield two types of output. It will provide a firm basis for sound advice to policy-makers at regional, national and EU level who are seeking to foster sustainable rural development. It will also improve the methodologies through which the impact of changing agricultural and rural development policy may be modelled in *ex-ante* and *ex-post* policy evaluations.

The proposed project has the following objectives:

(i)   to measure the flows of goods, services and labour between firms and households in a purposively-selected sample of small and medium-sized rural towns and their surrounding countryside in order to establish the extent and nature of local economic integration;

(ii)   to compare the degree of local economic integration of different types and size of town, firm and household found in the selected areas;

(iii)   to draw conclusions and make recommendations for those at local, national and EU level seeking to stimulate more diversified economic activities and employment opportunities in rural areas;

(iv)   to provide an accessible source of spatially referenced microeconomic data to those seeking to model the future impact of EU policies on the rural economy.

According to the methodology of the Marketowns' project, six small and medium sized Portuguese towns as study area:

Selected Towns	Small (5,000 – 20,000 Pop.)	Medium (20,000 – 40,000 Pop.)
Area where employment in Agriculture is well above national average (*Portugal: 10.8%*)	1- MIRANDELA (41.1%)	2- VILA REAL (20.1%)
Area where employment in Tourism is well above national average (*Portugal: 6.5%*)	3- TAVIRA (21.9%)	4- SILVES (28.6%)
"Accessible" peri-urban area within daily commuting distance of metropolitan center	5- LIXA	6- ESPOSENDE

SURVEY PROCEDURES

The sample frame reproduces the population structure for the *concelho*'s territorial unit.

The non-farm business sample frame took into account the distribution of the non-farm businesses according to the Economic Activity Classification (NACE codes) and was divided into businesses based either on urban or rural *freguesias*, as indicated on the following table:

Table 1. Sampling frames used – NON-FARM BUSINESS

Questionnaires to be done	1 Mirandela		2 Vila Real		3 Tavira		4 Silves		5 Lixa		6 Esposende	
NACE cods	Urban area	Rural area	Urban area	Rural area	Urban area	Rural area	Urban area	Rural area	Urban area	Rural area	Urban area	Rural area
A + B	15	4	8	3	17	8	19	10	3	2	13	7
C	-	-	0	0	0	0	0	0	-	-	1	1
D	10	3	6	2	5	3	6	4	28	14	15	7
E	-	-	0	0	0	0	0	0	-	-	-	-
F	10	3	15	4	19	10	17	7	11	6	15	7
G	40	12	38	12	34	15	35	16	38	17	34	17
H	11	3	12	3	13	7	13	7	8	4	9	5
I	2	1	3	1	1	1	1	1	2	1	1	1
J	2	2	5	1	1	1	1	1	3	1	3	1
K	6	1	8	3	6	3	5	2	4	3	5	2
L a Q	4	1	5	1	4	2	3	2	3	2	4	2
Total	100	30	100	30	100	50	100	50	100	50	100	50

Source: Done by the author according to (1) Northern Region Statistic Yearbook 2000, INE (2001); (2) Statistic Yearbook of the Algarve Region 2000, INE (2001).

In each town contacts were made with important local institutions (Town Halls, Managerial Associations, Commercial and Industrial Associations, Regional Agriculture Board and Regional Tourism Boards). Such contacts supplied the team with information regarding potential interviews in the form of lists of businesses and farm businesses and were extremely helpful in making the research project known and imparting information as to the actual limits of the town. It was possible, then, to adequately define zones A and B. In each town *Press*

releases were addressed both local newspapers and radio stations. This proved to be particularly useful as concerns non-farm businesses for it made contacts between team members and businessmen a lot easier.

The methodology used in the surveying process was the direct approach, that is, the face-to-face interviews. In Mirandela, Vila Real, and Lixa, the team members travelled to and from every day, starting at 8.oo a.m. and returning between 7.oo and 8.00 pm. Eventually, in order to maximize information collecting team members were allotted different tasks having to drive two cars. In the three towns, two in Algarve and in Esposende, due to their being far away from Vila Real, the team had to stay there for some time.

Questionnaires to family households were carried out in several places, namely Town Halls, Primary and Secondary Schools, and often in firms. Each questionnaire lasted approximately 30 minutes.

Surveying to businesses implied going to each one separately, sometimes by appointment through telephone call but mostly on a door-to-door approach. Each interview lasted an average of 20 minutes, depending on the business dimension, but especially on the owners' willingness to give access to their bookkeeping. In some business firms those responsible saw no problem in providing us with information concerning their balance sheets. In business firms where bookkeeping is done by an independent accountancy firm the results of the interviews tended to slow down the surveying process.

Surveying farm businesses took up a lot of time and a great amount of money. The fact that farm businesses are much more scattered than non-farm ones made the team depend on the car to do the questionnaires. Without the precious help of Agriculture Ministry technicians belonging to the Agrarian Zones of the *concelhos* under survey this field work would not have been possible. In the case of Lixa it is important to point out all the cooperation given by the Agricultural Cooperative of Felgueiras. Each questionnaire lasted an average of 35 minutes in the case of farm businesses and 30 minutes in the case of the respective household.

The methodology used was the face-to-face questionnaire in an average of ten questionnaires a day per researcher. From the beginning of the survey process it was stipulated that questionnaires not fully filled in would not be usable; therefore, we have no incomplete or unusable questionnaires. The adopted methodology resulted in fully complete questionnaires.

Table 2. Usable questionnaires done – NON-FARM BUSINESS

Questionnaires done	1 **Mirandela**		2 **Vila Real**		3 **Tavira**		4 **Silves**		5 **Lixa**		6 **Esposende**	
NACE cods	Urban area	Rural area	Urban area	Rural area	Urban area	Rural area	Urban area	Rural area	Urban area	Rural area	Urban area	Rural area
A + B	0	1	4	2	16	8	19	2	1	2	2	7
C	-	-	-	-	-	-	-	-	-	-	1	0
D	13	5	9	2	6	4	7	4	21	15	13	12
E	-	-	1	0	-	-	-	-	-	-	-	-
F	5	2	9	4	12	6	11	7	6	5	15	5
G	52	15	43	14	36	17	34	20	51	18	43	17
H	15	3	13	4	13	11	16	10	8	4	9	5
I	3	1	1	1	2	1	1	3	3	-	1	1
J	3	2	4	2	2	-	1	1	4	1	5	2
K	6	0	9	1	10	2	9	1	3	3	7	1
L a Q	4	1	7	1	3	-	3	2	3	2	4	1
Total	**101**	**30**	**101**	**30**	**100**	**50**	**101**	**50**	**100**	**50**	**100**	**51**

Source: Done by the author

The choice of criteria to define the sampling frame took into account the possibility of an immediate identification and classification of the units to survey. This helped make the survey process a lot easier, and avoid unnecessary deviations from the previously defined samples. It also helped guarantee its representativeness. Some discrepancies observed between some of the sample frames and the number of questionnaires actually done were caused by some difficulties in approaching the firms and their unwillingness or lack of time to answer the questionnaires. The random survey process constant monitoring was also rendered more difficult due to there being several members of the team on the field at the same time. The following tables summarize the usable questionnaires.

FINDINGS

First of all as regards respondents' answers, in every town of our study area non-farm businesses may be described as follows, according to the value of their most frequent features:

− The firm businesses belong to the service sector;
− Independent firms with no sites;
− They have always been located there, half of them for over ten years;
− Business firms with more than ten WTE have the bigger employment;
− The data were supplied by the owner.

Local Integrations Indicator (LII) is a simple descriptive measure which indicates the proportion of a particular activity (input purchases, output sales etc) of a particular group of economic entities (all businesses, large businesses, manufacturing businesses etc) allocated to the local economy. For example, the **businesses** $(_b)$ located within town X my derive 25% of their i**nputs** (by value) $(_i)$ form other businesses within the locality, a further 50% form elsewhere in the country, 5% from elsewhere in E U and 20% form conutris outside the E U. In this case the LII $_{bi}$ of this town is 0,25 (where the subscript "$_{bi}$"shows that the indicator is referring to purchases of inputs by businesses within the town). They may sell only 10% of their outputs $(_o)$ to businesses in the locality, in which case the LII_{bo} of the town is 0.1. Businesses in the town may derive only 40% of their employment (measured in full time equivalents) from households of the locality. In this case LII_{be} of the town will be 0,4. Taken together, ande measured for a particular town, these indicators give an immediate measure of the extent to which it is integrated into its immediate locality rather than national, European or global economy.

Economic Footprints and Local Integration Indicators

Table 3. Economic footprints of downstream and upstream activities for non-farm businesses in the study areas

Zone	Boundary	1 Mirandela		2 Vila Real		3 Tavira		4 Silves		5 Lixa		6 Esposende	
		Sales %	Purchases %	Sales %	Purchases %	Sales %	Purchases %	Sales %	Purchases %	Sales %	Purchases %	Sales %	Purchases %
A	In the town	29,5	13,0	46,3	29,2	6,5	4,5	11,4	9,5	3,6	17,6	41,4	44,4
B	Up to 4 miles/7km from the town	20,8	5,9	14,1	2,3	1,7	0,2	8,9	8,7	12,8	6,3	1,4	0,9
C	4-10 miles/7-16 km from the town	11,9	3,4	10,2	8,7	4,7	2,7	13,5	17,8	4,1	1,7	12,8	11,6
D	Elsewhere in the county NUTS III level	10,2	2,3	6,8	2,2	0,8	34,2	8,1	3,2	2,2	1,9	1,3	1,1
E	Elsewhere in the region NUTS II level	14,7	26,9	17,4	25,9	1,9	1,7	6,4	2,4	46,9	44,0	32,8	34,6
F	Elsewhere in the country	11,0	16,0	1,5	21,6	19,1	8,9	38,1	49,9	2,4	18,9	9,7	6,8
G	European Union	1,3	32,5	3,7	7,6	65,3	47,8	12,8	8,5	24,8	8,7	0,6	0,6
H	Elsewhere international	0,6	0,0	0,0	2,6	0,0	0,0	0,9	0,0	3,2	0,9	0,0	0,0
	All	100	100	100	100	100	100	100	100	100	100	100	100
Integration Indicators													
A + B	Local Integration Indicator (LII_{bo}[1] and LII_{bi}[2])	0,50	0,19	0,60	0,32	0,082	0,047	0,20	0,18	0,16	0,24	0,43	0,45
A + B + C	Extended Local Integration Indicator ($ELII_{bo}$ and $ELII_{bi}$)	0,62	0,22	0,71	0,40	0,13	0,074	0,34	0,36	0,21	0,26	0,56	0,57

Source: Own calculations.

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[1]   bo = business outputs.

[2]   bi = business inputs.

Table 4 Employment footprints for non-farm businesses in the study areas

Zone	Boundary	1 **Mirandela**		2 **Vila Real**		3 **Tavira**		4 **Silves**		5 **Lixa**		6 **Esposende**	
		FTEs %	Salary payments %	FTEs %	Salary payments %	FTEs %	Salary payments %	FTEs %	Salary payments %	FTEs %	Salary payments %	FTEs %	Salary payments %
A	In the town	70,7	73,6	57,8	58,6	53,4	53,4	54,9	56,3	27,6	27,4	37,8	38,6
B	Up to 4 miles/7km from the town	25,4	22,3	38,8	37,7	36,7	33,8	35,3	31,7	46,2	46,9	40,8	36,6
C	4-10 miles/7-16 km from the town	2,6	2,4	1,8	1,7	4,7	5,8	7,7	9,1	21,8	20,7	15,8	16,7
D	Elsewhere in the county NUTS III level	0,6	0,9	0,6	0,6	2,2	3,1	0,2	0,3	1,1	1,3	3,3	4,7
E	Elsewhere in the region NUTS II level	0,4	0,4	0,8	1,1	1,1	1,3	0,6	0,5	3,2	3,5	1,6	2,5
F	Elsewhere in the country	0,1	0,4	0,4	0,4	0,7	1,4	0,9	1,2	0,1	0,3	0,5	0,8
G	European Union	0,0	0,0	0,0	0,0	0,9	0,8	0,1	0,2	0,0	0,0	0,2	0,2
H	Elsewhere international	0,0	0,0	0,0	0,0	0,4	0,3	0,2	0,8	0,0	0,0	0,0	0,0
	All	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
A + B	Local Integration Indicator (LII$_{be}$[3] and LII$_{bs}$[4])	0,96	0,96	0,97	0,96	0,90	0,87	0,90	0,88	0,74	0,74	0,79	0,75
A + B + C	Extended Local Integration Indicator (ELII$_{be}$ and ELII$_{bs}$)	0,99	0,98	0,98	0,98	0,95	0,93	0,98	0,97	0,96	0,95	0,94	0,92

Source: Own calculations.

[3] be = business employment.

[4] bs = business salary payments.

In terms of non-farm business sales, the integration in the local economy is weak in Silves and Lixa and very weak in Tavira. On the contrary, it is moderate in Esposende and strong in Mirandela and Vila Real.

The non-farm business purchase local integration is weak in every town but Tavira, where it is very weak and in Esposende where it shows values pointing to a moderate integration.

The **employment** measured in terms of WTE and the correspondent salary payments have a high local integration level.

The **non-farm businesses employment** shows a high local integration with LII values oscillating between 0,9 and 1.

Unlike the economic footprint analysis, actual transaction valuers are not incorporated into the variables in this case. Analysis is based directly based on the proportion of the saçles ans purchases in each zone. On may want to anlyse a more realistic relative comparison between firms of different size and ownership status. For example, smaller firms by their very nature are more likely to deal with smaller transaction values, thus incorporating such values in the analysis may may not psint s realistic picture of the spatial pattern of these transaction in comparison to large firms.

Independent variables are derived from those already incorporated into the descriptive analysis, for example related to firm size, firm type, type of the organization, location of the firm, years in this address, origin of the manager. The bi-variate analysis can be a set upt to compare one typt to another. For example: independent firms with no sites vs national and international companies; firms located in uraban areas vs located in rural areas.

The analysis involves comparing means of the respective dependent variables for the various independent comparisons of interest. This has to be done in two stages:

- First, compute mean and standard deviation for each comparison. In SPSS (*Analyze/Means/Compare Means*);
- Whlist independent comparisons of means is usually done un-paired, t-tests, it is likely that the dependent variables will noy confirm the assumptions of a normal distribution and equality fo variances (This is based on previous experiences with data of this kind. It will be preferable to use the un-paired t-test if the data will allow),in each case of a Man Whitney U test for 2 independent samples and a Kruskal-Wallis, for more than two samples will provide a more robust results. This is the non-parametric equivalent of the un-

paired t-test and involves the substitution of ranks for the actual values. In SPSS select (*Analyze/Non-parametric tests/ 2 or more than two independent samples*). The results wil be presented in the table 5.

Table 5. Summary table of results for non-farm businesses in the study areas

Characteristic (Sales)	Towns					
	1 Mirandela	2 Vila Real	3 Tavira	4 Silves	5 Lixa	6 Esposende
Firm Size						
Zone A+B	20,816 ***	10,697 **	14,430 ***	30,931 ***	22,630 ***	26,910 ***
Zone A+B+C	26,554 ***	9,762 **	9,908 **	14,187 ***	32,819 ***	29,728 ***
Firm Type						
Zone A+B	13,903 ***	3,200	18,162 ***	28,806 ***	20,380 ***	29,384 ***
Zone A+B+C	24,822 ***	0,897	17,877 ***	11,439 ***	33,380 ***	25,277 ***
Type of organisation						
Zone A+B	622,500 *	760,500	689,000 *	632,000	936,5	1059,0
Zone A+B+C	556,000 **	677,500	755,500	543,5 **	1081,5	1105,0
Location of firm (Zone A or B)						
Zone A+B	1426,00	1062,000 ***	1980,000 **	2042,000 *	2237,5	2405,5
Zone A+B+C	994,00 ***	1214,000 *	1992,000 **	2358,000	2352,5	2237,5
Years at this address						
Zone A+B	2,610	5,460	1,735	0,016	2,791	11,758 ***
Zone A+B+C	0,499	3,582	1,762	2,209	2,555	10,480 **
Origin/how local is the manager						
Zone A+B	2,165	7,567	6,582 *	16,460 ***	4,898	2,008
Zone A+B+C	2,093	5,753	7,721 *	20,994 ***	8,744 **	2,533
Characteristic (Purchases)						
Firm Size						
Zone A+B	4,229	2,913	1,205	0,298	2,182	9,204 **
Zone A+B+C	3,659	2,271	4,421	2,874	4,351	2,327
Firm Type						
Zone A+B	2,109	2,990	9,472 ***	7,021 **	6,315 **	4,232
Zone A+B+C	2,906	3,295	22,279 ***	3,572	7,660 **	0,581
Type of organisation						
Zone A+B	496,000 ***	591,500 **	892,000	318,500 ***	556,0 ***	916,5
Zone A+B+C	457,000 ***	566,00 **	935,000	330,000 ***	716,5 ***	914,5
Location (Zone A or B)						
Zone A+B	1376,00	836,500 ***	2419,500	2293,000	2342,5	2306,5
Zone A+B+C	1248,500	653,500 ***	2243,000	1339,000	2378,5	2412,5
Years at this address						
Zone A+B	0,242	0,832	1,457	0,806	4,178	4,935
Zone A+B+C	0,209	1,245	2,622	1,494	5,533	1,226
Origin/how local is the manager						
Zone A+B	0,837	5,586	1,357	5,270	6,264 *	0,348
Zone A+B+C	0,542	2,269	2,547	4,421	7,224 *	1,942

Significance level: * 90% (P<0.1) ** 95% P<0.05) *** 99% (P<0.01).

Source: Own calculations.

We will begin by analysing the **non-farm business sales** integration level:

- The non-farm business size influences its forward integration level in all the study towns;

- The type of business regarding activity sectors influences the sales integration level in every town but Vila Real;

- The type of has no influence in towns like Vila Real, Lixa, and Esposende; the same happens as to the location of firms in Lixa, and Esposende and the respondent's/manager's origin in Vila Real, Mirandela and Esposende; and

- As to the variable number of years at this address it only influences non-farm business sales integration level in Esposende.

We shall now look into the **non-farm business purchases** integration level:

- The firm size according to the number of WTE workers does not influence in any way the purchases local integration level in this type of firm except in Esposende, when the *concelho* is considered an analysis territorial unit. The same applies to the variable type of firm according to activity sectors in the cases of Mirandela, Vila Real, and Esposende. This variable influences this kind of firm purchases local integration in Tavira, Silves, and Lixa;

- The type of organization influences firms purchases integration level in every town but Tavira and Esposende. The location of firm only influences the purchases integration pattern in Vila Real. A similar situation occurs with the manager's origin in Lixa;

- Finally, the number of years at the address does not influence in anyway the purchases local integration level.

SECTORAL ANALYSIS

This chapter presents a sectorial analysis regarding the various activities according to each of the studied towns. For each town a table concerning local and broad integration is presented in what concerns sales and purchase. The tables also contain an indication about the relative weight of each activity sector in terms of the number of business firms and of the volume of sales and purchase.

MIRANDELA

When we consider the number of non-agricultural business firms, the situation concerning purchase level in view of the LII is 0.19 and of the ELII is 0.22. In what concerns the activity sector, Agriculture, Manufacturing Industry, Wholesale Commerce and Personal Services behave similarly to the whole of the business firms (very weak). The remaining sectors presented higher values. The situation regarding sales level in view of the LII is 0,50 and of the ELII is 0,62. In what concerns the activity sector, only the Construction sector recorded a similar behaviour to the whole of the business firms (moderate and strong). Wholesale Commerce and Manufacturing Industry presented lower values. Agriculture, Retail Commerce, Hotels and Restaurants, Transport Financial Activities, Public Administration and Personal Services (strong and very strong), on the contrary, registered higher values.

In terms of the bivariate analysis, the variable influencing purchases for the whole of the business firms is the Organization Type, regarding both Zone (A+B) and Zone (A+B+C). When one considers the Retail Commerce sector separately, one concludes that the variables influencing both Zones' integration are the Business Firm Size, the Organization Type and the Business Firm Location. The variables influencing sales for the whole of the business firms are the Business Firm Size, Organization Type and Business Firm Location, regarding both Zone (A+B) and Zone (A+B+C). The Business Firm Location variable also influences sales when only Zone (A+B+C) is taken into consideration. When one considers the Wholesale Commerce sector separately, one concludes that no other variables influences local integration. (see tables 6 and 7).

Table 6. Purchuases Local Integration Indicatores – Mirandela

Activities (% purchases)	Fishing or forestry (0,2%)		Energy or water (0,0%)		Manufacturing (23,8%)		Construction (16,9%)		Wholesale and distribution (24,5%)		Retail (25,4%)		Hotels and restaurants (5,7%)		Transport and communications (0,2%)		Banking, finance, insurance, etc. (1,7%)		Public administration, education, health (1,4%)		Personal services (0,3%)	
N / % firms	1 / 0,8		0 / 0,0		17 / 13,0		8 / 6,1		4 / 3,1		57 / 43,5		20 / 15,3		4 / 3,1		11 / 8,4		5 / 3,8		4 / 3,1	
Integration level	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII
Very Weak	▓	▓			▓	▓			▓	▓	▓								▓		▓	▓
Weak							▓	▓				▓								▓		
Moderate																						
Strong													▓	▓	▓	▓	▓	▓				
Very Strong																						

Very Weak: [0-0,25[Weak: [0,25-0,4[Moderate: [0,4-0,6[Strong: [0,6-0,8[Very Strong: : [0,8-1]

Table 7. Sales Local Integration Indicatores – Mirandela

Activities (% sales)	Fishing or forestry (0,1%)		Energy or water (0,0%)		Manufacturing (26,4%)		Construction (13,3%)		Wholesale and distribution (20,3%)		Retail (24,5%)		Hotels and restaurants (5,7%)		Transport and communications (0,6%)		Banking, finance, insurance, etc. (6,0%)		Public administration, education, health (2,6%)		Personal services (0,4%)	
N / % firms	1 / 0,8		0 / 0,0		17 / 13,0		8 / 6,1		4 / 3,1		57 / 43,5		20 / 15,3		4 / 3,1		11 / 8,4		5 / 3,8		4 / 3,1	
Integration level	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII
Very Weak									▓	▓												
Weak					▓																	
Moderate						▓	▓															
Strong								▓					▓				▓		▓			
Very Strong	▓	▓									▓	▓		▓	▓	▓		▓		▓	▓	▓

Very Weak: [0-0,25[Weak: [0,25-0,4[Moderate: [0,4-0,6[Strong: [0,6-0,8[Very Strong: : [0,8-1]

Source: Own calculations.

VILA REAL

When the number of non-agricultural business firms is considered, the situation concerning purchase level in view of the LII is 0.32 and of the ELII is 0.40. In what concerns the activity sector, Agriculture, Public Administration and Personal Services with a weak LII, and Manufacturing Industry with a moderate ELII, show a similar behaviour to the whole of the business firms. Energy, Wholesale Commerce and Retail Commerce (very weak) reached lower values. Construction, Hotels and Restaurants, Transport and Communications and Banking and Finance (strong and very strong), on the contrary, registered higher values. The situation regarding the sales level in view of the LII is 0.60 and of the ELII is 0.71. In what concerns the activity sector, Retail Commerce and Banking and Finance with a strong LII, and Hotels and Restaurants and Public Administration with a strong ELII, show a kind of behaviour similar to the whole of the business firms. Energy, Manufacturing Industry and Transport and Communications (very weak and weak) present lower values. Construction, Wholesale Commerce and Personal Services (very strong), on the contrary, register higher values.

In terms of the bivariate analysis, the variables influencing purchase for the whole of the business firms are the Organization Type and Business Firm Location, regarding both Zone (A+B) and Zone (A+B+C).When one considers the Retail Commerce sector separately, one concludes that the variable influencing both Zones integration is the Business Firm Location. The variables influencing sales for the whole of the business firms are the Business Firm Size and Business Firm Location, regarding both Zone (A+B) and Zone (A+B+C). The Respondent's Origin variable also influences sales when only Zone (A+B+C) is taken into consideration. When one considers the Wholesale Commerce sector separately, one concludes that the variables influencing both Zones integration are the Business Firm Location and the Business Firm Size. When one considers the Retail Commerce sector separately, one concludes that the variables influencing both Zones integration are the Business Firm Location and the Business Firm Size. The Organization Type variable also influences sales when only Zone (A+B+C) is taken intog consideration. (see tables 8 and 9).

Table 8. Purchuases Local Integration Indicatores – Vila Real

Activities (% purchases)	Fishing or forestry (6,0%)		Energy or water (3,6%)		Manufacturing (24,3%)		Construction (17,8%)		Wholesale and distribution (7,6%)		Retail (27,6%)		Hotels and restaurants (5,8%)		Transport and communications (1,1%)		Banking, finance, insurance, etc. (1,6%)		Public administration, education, health (3,9%)		Personal services (0,7%)	
N / % firms	6 / 4,6		1 / 0,8		12 / 9,2		13 / 9,9		3 / 2,3		48 / 36,6		17 / 13,0		2 / 1,5		15 / 11,5		6 /4,6		8 / 6,1	
Integration level	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII
Very Weak			■	■	■				■	■	■	■										
Weak	■	■																			■	■
Moderate						■									■		■					
Strong							■	■					■							■		
Very Strong														■		■						

Very Weak: [0-0,25[Weak: [0,25-0,4[Moderate: [0,4-0,6[Strong: [0,6-0,8[Very Strong: : [0,8-1]

Table 9. Sales Local Integration Indicatores – Vila Real

Activities (% sales)	Fishing or forestry (5,3%)		Energy or water (5,3%)		Manufacturing (24,7%)		Construction (20,0%)		Wholesale and distribution (5,5%)		Retail (20,3%)		Hotels and restaurants (7,0%)		Transport and communications (1,1%)		Banking, finance, insurance, etc. (3,5%)		Public administration, education, health (6,3%)		Personal services (0,9%)	
N / % firms	6 / 4,6		1 / 0,8		12 / 9,2		13 / 9,9		3 / 2,3		48 / 36,6		17 / 13,0		2 / 1,5		15 / 11,5		6 /4,6		8 / 6,1	
Integration level	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII
Very Weak															■	■						
Weak			■		■	■																
Moderate	■			■									■						■			
Strong											■			■			■			■		
Very Strong		■					■	■			■									■	■	

Very Weak: [0-0,25[Weak: [0,25-0,4[Moderate: [0,4-0,6[Strong: [0,6-0,8[Very Strong: : [0,8-1]

Source: Own calculations.

TAVIRA

When the number of non-agricultural business firms is considered, the situation concerning purchase level in view of the LII is 0.047 and of the ELII is 0.074. In what concerns the activity sector, Construction, Retail Commerce and Transport and Communications show a behaviour similar to the whole of the business firms (very weak). The remaining sectors, however, recorded higher values. The situation regarding sales level in view of the LII is 0.082 and of the ELII is 0.13. In what concerns the activity sector, Construction, Wholesale Commerce, Hotels and Restaurants and Transport and Communications show a behaviour similar to the whole of the business firms (very weak). As for the rest of the sectors, these registered higher values.

In terms of the bivariate analysis, the variable influencing purchases for the whole of the business firms is the Business Firm Type, regarding both Zone (A+B) and Zone (A+B+C). When one considers the Retail Commerce sector separately, one concludes that the variable influencing Zones (A+B+C) integration is the Business Firm Location. The variables influencing sales for the whole of the business firms are the Business Firm Size, Organization Type, Business Firm Location and Respondent's Origin, regarding both Zone (A+B) and Zone (A+B+C). The Business Firm Location variable also influences sales when only Zone (A+B) is taken into consideration. When one considers the Wholesale Commerce sector separately, one concludes that no other variable influences local integration. (see tables 10 and 11).

Table 10. Purchuases Local Integration Indicatores – Tavira

Activities (% purchases)	Fishing or forestry (0,2%)		Energy or water (0,0%)		Manufacturing (0,3%)		Construction (93,2%)		Wholesale and distribution (0,1%)		Retail (2,7%)		Hotels and restaurants (2,1%)		Transport and communications (1,2%)		Banking, finance, insurance, etc. (0,2%)		Public administration, education, health (0,0%)		Personal services (0,0%)	
N / % firms	22 / 14,7		0 / 0,0		9 / 6,0		18 / 12,0		1 / 0,7		54 / 36,0		24 / 16,0		3 / 2,0		14 / 9,3		2 / 1,3		3 / 2,0	
Integration level	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII
Very Weak							■	■			■	■			■	■	■					
Weak					■	■												■				
Moderate	■												■	■							■	
Strong																						■
Very Strong		■							■	■									■	■		

Very Weak: [0-0,25[Weak: [0,25-0,4[Moderate: [0,4-0,6[Strong: [0,6-0,8[Very Strong: : [0,8-1]

Table 11. Sales Local Integration Indicatores – Tavira

Activities (% sales)	Fishing or forestry (0,5%)		Energy or water (0,0%)		Manufacturing (0,5%)		Construction (91,7%)		Wholesale and distribution (0,1%)		Retail (2,5%)		Hotels and restaurants (3,2%)		Transport and communications (0,9%)		Banking, finance, insurance, etc. (0,6%)		Public administration, education, health (0,0%)		Personal services (0,0%)	
N / % firms	22 / 14,7		0 / 0,0		9 / 6,0		18 / 12,0		1 / 0,7		54 / 36,0		24 / 16,0		3 / 2,0		14 / 9,3		2 / 1,3		3 / 2,0	
Integration level	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII
Very Weak							■	■	■	■			■	■	■	■						
Weak																	■	■				
Moderate																						
Strong					■						■										■	■
Very Strong	■	■				■							■						■	■		

Very Weak: [0-0,25[Weak: [0,25-0,4[Moderate: [0,4-0,6[Strong: [0,6-0,8[Very Strong: : [0,8-1]

When the number of non-agricultural business firms is considered, the situation concerning purchase level in view of the LII is 0.18 and of the ELII is 0.36. In what concerns the activity sector, Manufacturing Industry, Retail Commerce and Personal Services show a behaviour similar to the whole of the business firms in view of the LII (very weak). Separately, no sector has a weak ELII. The remaining sectors reached higher values. The situation regarding sales level in view of the LII is 0.20 and of the ELII is 0.34. In what concerns the activity sector, Manufacturing Industry and Banking and Finance show a behaviour similar to the whole of the business firms (very weak and weak). Construction, Hotels and Restaurants and Transport and Communications presented lower values in view of the ELII. As for the rest of the sectors, these registered higher values.

In terms of the bivariate analysis, the variable influencing purchases for the whole of the business firms is the Organization Type, regarding both Zone (A+B) and Zone (A+B+C). When one considers Zone (A+B) separately, the Business Firm Type variable still influences purchases. When one considers the Retail Commerce sector separately, one concludes that the variables influencing the integration of Zones (A+B+C) are the Organization Type and the Number of Years at the Residence. The variables influencing sales for the whole of the business firms are the Business Firm Size, Organization Type, Business Firm Size and Respondent Origin, regarding both Zone (A+B) and Zone (A+B+C). The Business Firm Location variable also influences sales when only Zone (A+B) is taken into consideration. When one considers the Wholesale Commerce sector separately, only the Respondent's Origin variable seems to influence local integration for both Zones. The Business Firm variable also influences sales when only Zone (A+B+C) is considered. (see tables 12 and 13).

Table 12. Purchuases Local Integration Indicatores – Silves

Activities (% purchases)	Fishing or forestry (0,6%)		Energy or water (0,0%)		Manufacturing (16,8%)		Construction (23,4%)		Wholesale and distribution (11,3%)		Retail (32,0%)		Hotels and restaurants (5,1%)		Transport and communications (9,3%)		Banking, finance, insurance, etc. (0,7%)		Public administration, education, health (0,3%)		Personal services (0,6%)	
N / % firms	21 / 13,9		0 / 0,0		11 / 7,3		18 / 11,9		3 / 2,0		48 / 31,8		25 / 16,6		4 / 2,6		11 / 7,3		5 / 3,3		5 / 3,3	
Integration level	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII
Very Weak					■	■	■	■	■	■	■	■									■	■
Weak													■		■							
Moderate	■									■	■								■	■		
Strong		■														■						
Very Strong													■		■	■						

Very Weak: [0-0,25[Weak: [0,25-0,4[Moderate: [0,4-0,6[Strong: [0,6-0,8[Very Strong: : [0,8-1]

Table 13. Sales Local Integration Indicatores – Tavira

Activities (% sales)	Fishing or forestry (0,8%)		Energy or water (0,0%)		Manufacturing (21,0%)		Construction (27,1%)		Wholesale and distribution (8,4%)		Retail (19,1%)		Hotels and restaurants (11,0%)		Transport and communications (7,2%)		Banking, finance, insurance, etc. (4,3%)		Public administration, education, health (0,6%)		Personal services (0,6%)	
N / % firms	21 / 13,9		0 / 0,0		11 / 7,3		18 / 11,9		3 / 2,0		48 / 31,8		25 / 16,6		4 / 2,6		11 / 7,3		5 / 3,3		5 / 3,3	
Integration level	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII
Very Weak					■		■	■	■				■	■	■	■	■					
Weak						■												■				
Moderate										■	■	■										
Strong	■	■																	■			
Very Strong																				■	■	■

Very Weak: [0-0,25[Weak: [0,25-0,4[Moderate: [0,4-0,6[Strong: [0,6-0,8[Very Strong: : [0,8-1]

Source: Own calculations.

When the number of non-agricultural business firms is considered, the situation concerning purchase level in view of the LII is 0.24 and of the ELII is 0.26. In what concerns the activity sector, Transport and Communications, Banking and finance and Public Administration show a behaviour similar to the whole of the business firms in view of the ELII (weak). Agriculture, Manufacturing Industry, Wholesale Commerce and Retail Commerce show a behaviour similar to the whole of the business firms in view of the LII (very weak). The remaining sectors recorded higher values. The situation regarding sales level in view of the LII is 0.16 and of the ELII is 0.21. In what concerns the activity sector, Manufacturing Industry and Transport and Communications behave similarly to the whole of the business firms (very weak). As for the rest of the sectors, these registered higher values.

In terms of the bivariate analysis, the variables influencing purchases for the whole of the business firms are the Business Firm Type, the Organization Type and Respondent's Origin, regarding both Zone (A+B) and Zone (A+B+C). When one considers Zone (A+B) separately, the Business Firm Type variable still influences purchases. When one considers the Retail Commerce sector separately, one concludes that no other variable influences local integration. The variables influencing sales for the whole of the business firms are the Business Firm Size and the Business Firm Type, regarding both Zone (A+B) and Zone (A+B+C). The Respondent's Origin variable also influences sales when only Zone (A+B+C) is considered. When one considers the Wholesale Commerce sector separately, the variables Respondent's Origin and the Number of Years at the Residence seem to influence local integration for both Zones. The Business Firm variable also influences sales when only Zone (A+B+C) is taken into consideration. (see tables 14 and 15).

Table 14. Purchuases Local Integration Indicatores – Lixa

Activities (% purchases)	Fishing or forestry (1,6%)		Energy or water (0,0%)		Manufacturing (22,8%)		Construction (2,4%)		Wholesale and distribution (9,8%)		Retail (5,1%)		Hotels and restaurants (0,5%)		Transport and communications (56,3%)		Banking, finance, insurance, etc. (1,2%)		Public administration, education, health (0,2%)		Personal services (0,2%)	
N / % firms	2 / 1,3		0 / 0,0		37 / 24,7		10 / 6,7		14 / 9,3		54 / 36,0		12 / 8,0		4 / 2,7		11 / 7,3		3 / 2,0		3 / 2,0	
Integration level	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII
Very Weak	▓	▓			▓	▓			▓	▓	▓	▓										
Weak													▓		▓	▓	▓	▓	▓	▓	▓	
Moderate																						
Strong							▓	▓														
Very Strong													▓									▓

Very Weak: [0-0,25[Weak: [0,25-0,4[Moderate: [0,4-0,6[Strong: [0,6-0,8[Very Strong: : [0,8-1]

Table 15. Sales Local Integration Indicatores – Lixa

Activities (% sales)	Fishing or forestry (1,4%)		Energy or water (0,0%)		Manufacturing (33,1%)		Construction (2,6%)		Wholesale and distribution (10,8%)		Retail (5,8%)		Hotels and restaurants (0,5%)		Transport and communications (43,9%)		Banking, finance, insurance, etc. (1,5%)		Public administration, education, health (0,4%)		Personal services (0,1%)	
N / % firms	2 / 1,3		0 / 0,0		37 / 24,7		10 / 6,7		14 / 9,3		54 / 36,0		12 / 8,0		4 / 2,7		11 / 7,3		3 / 2,0		3 / 2,0	
Integration level	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII
Very Weak	▓				▓	▓									▓	▓						
Weak		▓																				
Moderate																	▓	▓	▓			
Strong									▓	▓			▓									
Very Strong							▓	▓			▓		▓							▓	▓	▓

Very Weak: [0-0,25[Weak: [0,25-0,4[Moderate: [0,4-0,6[Strong: [0,6-0,8[Very Strong: : [0,8-1]

Source: Own calculations.

ESPOSENDE

When the number of non-agricultural business firms is considered, the situation concerning purchase level in view of the LII is 0.45 and of the ELII is 0.57. In what concerns the activity sector, only the Construction sector shows a behaviour similar to the whole of the business firms (moderate). Fishing, Wholesale Commerce, Retail Commerce, Transport and Communications and Personal Services (very weak) presented lower values. Public Administration and Banking and finance (strong and very strong), on the contrary, reached higher values. The situation regarding sales level in view of the LII is 0.43 and of the ELII is 0.46. In what concerns the activity sector, Construction and Public Administration behave similarly to the whole of the business firms (moderate). Fishing, Wholesale Commerce, Retail Commerce, Transport and Communications and Personal Services registered lower values (very weak). The Banking and Finance sector registered higher values (very strong).

In terms of the bivariate analysis, the variable influencing purchase for the whole of the business firms is the Business Firm Size, regarding only Zone (A+B). When one considers the Retail Commerce sector separately, one concludes that only the Business Firm Location influences local integration but only for Zone (A+B). The variables influencing sales for the whole of the business firms are the Business Firm Size, the Business Firm Type and Number of Years at the Residence, regarding both Zone (A+B) and Zone (A+B+C). When one considers the Wholesale Commerce sector separately, only the Business Firm Location variable seems to influence local integration but only when Zone (A+B+C) is taken into consideration. (see tables 16 and 17).

Table 16. Purchuases Local Integration Indicatores – Esposende

Activities (% purchases)	Fishing or forestry (0,1%)		Energy or water (0,0%)		Manufacturing (4,5%)		Construction (92,8%)		Wholesale and distribution (0,7%)		Retail (1,2%)		Hotels and restaurants (0,3%)		Transport and communications (0,2%)		Banking, finance, insurance, etc. (0,1%)		Public administration, education, health (0,1%)		Personal services (0,0%)	
N / % firms	8 / 5,3		0 / 0,0		26 / 17,2		19 / 12,6		3 / 2,0		52 / 34,4		14 / 9,3		3 / 2,0		15 / 9,9		5 / 3,3		6 / 4,0	
Integration level	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII
Very Weak	■	■			■				■	■	■	■			■						■	■
Weak													■									
Moderate						■	■	■														
Strong															■		■		■	■		
Very Strong																		■				

Very Weak: [0-0,25[Weak: [0,25-0,4[Moderate: [0,4-0,6[Strong: [0,6-0,8[Very Strong: : [0,8-1]

Table 17. Sales Local Integration Indicatores – Esposende

Activities (% sales)	Fishing or forestry (0,0%)		Energy or water (0,0%)		Manufacturing (5,0%)		Construction (90,3%)		Wholesale and distribution (0,7%)		Retail (1,2%)		Hotels and restaurants (0,5%)		Transport and communications (0,4%)		Banking, finance, insurance, etc. (1,8%)		Public administration, education, health (0,0%)		Personal services (0,1%)	
N / % firms	8 / 5,3		0 / 0,0		26 / 17,2		19 / 12,6		3 / 2,0		52 / 34,4		14 / 9,3		3 / 2,0		15 / 9,9		5 / 3,3		6 / 4,0	
Integration level	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII	LII	ELII
Very Weak	■	■			■				■	■	■	■			■						■	■
Weak													■									
Moderate						■	■	■											■	■		
Strong															■							
Very Strong																	■	■				

Very Weak: [0-0,25[Weak: [0,25-0,4[Moderate: [0,4-0,6[Strong: [0,6-0,8[Very Strong: : [0,8-1]

Source: Own calculations.

CONCLUSIONS

Non-farm businesses are small, independent businesses with no other sites, run by the owner. They usually belong to the service sector and have been located on that particular place for quite some time.

Table 18 shows how deep these agents, when considered as a whole, are rooted in local economies. There are four levels of integration for non-farm businesses: sales, purchases, employment, and paid salaries.

Table 18. Study Area Economic Agents Integration Synthesis

	Non-farm businesses			
	Sales	Purchases	FTEs	Salary payments
1 Mirandela				
Zone A+B	M	W	VS	VS
Zone A+B+C	S	W	VS	VS
2 Vila Real				
Zone A+B	S	W	VS	VS
Zone A+B+C	S	W	VS	VS
3 Tavira				
Zone A+B	VW	VW	VS	VS
Zone A+B+C	VW	VW	VS	VS
4 Silves				
Zone A+B	W	W	VS	VS
Zone A+B+C	W	W	VS	VS
5 Lixa				
Zone A+B	W	W	S	S
Zone A+B+C	W	W	VS	VS
6 Esposende				
Zone A+B	M	M	S	S
Zone A+B+C	M	M	VS	VS

Very Weak: [0-0,25[; Weak: [0,25-0,4[; Moderate: [0,4-0,6[; Strong: [0,6-0,8[; Very Strong: [0,8-1]

Source: From Tables 3 and 4.

The **non-farm business sales** integration level is weak in the two towns where tourism is the dominating economic activity and in the periurban town of Lixa. The size of periurban towns increases the sales integration level because in Esposende its integration level is moderate. In the two towns where agriculture prevails the non-farm business sales integration level is strong.

As to **non-farm business purchases** in a way they are poorly integrated in local economies. In fact, in Tavira, a small - sized town where tourism is the main economic

activity the integration level is very weak. In Esposende, a medium periurban town, the non-farm business purchase local integration level is moderate.

The local integration is stronger forwards than backwards.

The sectoral analysis in each town shows the local integration level of the different economic activities for every study area. Another aspect that should be emphasized is the weight each sector has on the purchase and sales total volume. The share of the total purchases and sales is mostly a decisive factor as far as the local integration behaviour of all the business firms in a certain town is concerned. We may refer as an example the cases of construction business firms in Tavira and Esposende and transports and communications in Lixa.

The sustainability of likely rural development policies should not ignore the specificity of each town and each economic activity sector. The dichotomy and antagonism between country and city must be replaced by a new and real cooperation leading to partnerships among equals. It is high time politicians with responsibility at the decision level stopped looking at the rural world in a perspective of dependency and inferiority, as it happened in the last century. If it is not possible to adapt homogeneous measures to different development speeds both in economic and especially human terms at a national level, very hardly would it be so within the European Union.

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