

THE STATE OF RURAL ENTREPRENEURSHIP IN THE REPUBLIC OF MACEDONIA

Tošo Kostadinov

*University “Ss. Cyril and Methodius” in Skopje, Institute of Animal Science,
Bul. Ilinden 92-a, Skopje, Republic of Macedonia
tosokostadinov@gmail.com*

The aim of this paper is to incorporate new elements in the body of knowledge about rural entrepreneurship in the Republic of Macedonia. In order to accomplish our purpose a survey of 101 respondents owners of SMEs (small medium enterprises) in rural areas was conducted, in which they were offered four sets of statements that are relevant when assessing the situation of rural entrepreneurship in the Republic of Macedonia, valued at a scale from 1 – unimportant, to 5 – priority. One of the conclusions, which determines the state of entrepreneurship and SMEs in rural areas of the Republic of Macedonia, which is derived based on an empirical research is that the Macedonian rural entrepreneur sufficiently owns the most important entrepreneurial qualities required by the developed world business. He/she is dedicated, undertakes initiatives, is prone to moderate risk taking, possesses a strong desire for independence, courage, flexibility, ethical and family background. He is also content with the place of living and does not intend to sell his business.

Key words: rural entrepreneurship; rural entrepreneurs; SMEs; rural areas

СОСТОЈБАТА СО РУРАЛНОТО ПРЕТПРИЕМНИШТВО ВО РЕПУБЛИКА МАКЕДОНИЈА

Целта на овој труд е во корпусот на сознанија за руралното претприемништво во Република Македонија да се инкорпорираат нови сознанија. За таа цел е спроведено анкетно истражување на 101 испитаник, сопственици на МСП (мали и средни претпријатија) од руралните подрачја, на кои им се понудени четири сета тврдења кои се од значење за согледување на состојбата со руралното претприемништво во Република Македонија вреднувани по петстепенна скала од 1 (неважно) до 5 (приоритет). Еден од повеќето заклучоци со кои се детерминира состојбата со претприемништвото и МСП во руралните подрачја на Република Македонија, а кој е изведен врз основа на емпириското истражување, е дека македонскиот рурален претприемач во доволна мера ги поседува најважните претприемачки особини кои ги бара развиениот деловен свет. Тој е посветен, презема иницијатива, склон е кон умерено преземање ризик, поседува силно изразена желба за независност, смелост, флексибилност, етичка и семејна заднина. Исто така, задоволен е и од местото каде што живее и нема намера својот бизнис да го продаде.

Клучни зборови: рурално претприемништво; рурален претприемач; МСП; рурално подрачје

INTRODUCTION

Entrepreneurship is a complex phenomenon of emphasized multidisciplinary and interdisciplinary character, and – in accordance with the study of the entrepreneurship – often provides the same empirical regularities established through research to be interpreted from different disciplinary angles of view by applying different levels of analyses.

Generally, one can say that there are three research directions that can be followed in studying the origin and existence of entrepreneurial activity (Pavić, 2008):

– Firstly, entrepreneurial activity is explained by a number of individual-psychological characteristics such as the inclination for taking risks, tolerance towards uncertain circumstances and a strongly expressed motive for achievement. This

direction emphasizes the uniqueness of the entrepreneur as a person different from the ordinary representative of the population and that – just because of his/her special psychological profile – deals innovatively combining the resources according to new and unpredictable ways, creating a new value by taking advantage of new business opportunities;

– Second is the so called institutional-economic direction of research, because the entrepreneurial activity is explained by external factors such as size and market structure, level and type of technological development, demographic and regional clusters, industrial dynamics and the like. The presence and absence of these factors may act stimulating or inhibiting upon the development of entrepreneurship in a particular area;

– With the third direction, entrepreneurship is approached by the so-called "soft" variables, such as social norms and values, i.e. culture. Cultural theories put the phenomenon of entrepreneurship at a certain time and space in a particular social and cultural context, i.e. the development of entrepreneurship with "entrepreneurial spirit" of a certain area is explained by the existence of social norms and values that encourage the individual to deal with entrepreneurship (individualism, tolerance to risk and uncertainty, etc.), and allows the creation of social norms and values founded on cultural similarity allowing better circulation of resources (money, information), and thus makes the entrepreneurial venture more successful. Theories that are more sociologically intoned emphasize the importance of social roles founded on social norms and processes. Thus for example, one can specify the so-called theory of marginalization, which highlights the kind of "failure" of the existing social roles that initiate a single event which acts as a driving factor for the decision of practicing entrepreneurship. Just individuals who are dissatisfied with their current social roles or are members of marginalized social groups constitute the potential entrepreneurial base. So, this theory also explains the empirical findings according to which individuals who are dissatisfied with their current job often decide to start their own business or the fact that in the majority societies, immigrants constitute the busiest entrepreneurial part of the population. In these two groups dissatisfaction with the existing social roles or closed channels for normal social mobility acts as motivators for engagement with entrepreneurship.

Entrepreneurship is therefore determined by a number of economic, psychological and social factors and provides a good example of a social phenomenon that is not possible to be analyzed by means of a formal economic analysis. Maybe just entrepreneurship provides the most obvious proof of the artificiality of the division into "social" and "economic" in the economic phenomena, given that economic activity is also a social activity. In formal economic analysis the economic activity is narrowed down to actions aimed at reducing costs and enabling benefits for the social actors, i.e. search for the alternative use of scarce resources that would satisfy numerous needs. Such rational behavior of people is often called primeval, and all patterns and phenomena that lead men to act otherwise are declared distorting factors and are not usually analyzed. Regardless the usefulness of this type of abstraction that enables the use of sophisticated mathematical patterns in economic analysis, it is clear that economic phenomena can not be separated from other social phenomena such as the power, status, social identity, value composition and the like. Thus the phenomenon of starting an own business can not be analyzed solely by comparing the ways in which people rationally evaluate this option considering other available options (employment, continuing education, family, etc.).

2. MATERIAL AND METHOD OF WORK

The aim of this research is based on literature, documents and particularly upon the analysis of interviewed representative samples of entrepreneurs (101 SMEs) in rural areas to observe the state of rural entrepreneurship in the Republic of Macedonia. Several commonly used methods of economic analysis were applied in the composition of this paper, primarily the method of generalization and specialization, the method of induction and deduction, the statistical method and the comparative method.

3. RESEARCH RESULTS AND DISCUSSION

The survey respondents were presented four sets of statements that are of relevance to the efforts to perceive the situation of rural entrepreneurship in the Republic of Macedonia, valued at a five-degree scale from 1 (unimportant) to 5 (priority) (Tables 1, 2, 3 and 4).

Table 1
Degree of agreement with the statements in terms of constraints on the development of enterprises using the arithmetic means

	Mean value	Standard deviation
High rate of VAT	3.60	1.04
Problems with collection of claims	3.65	1.33
High rates of tax and employee contributions	4.18	1.00
Administrative difficulties and complex of procedures	3.99	1.14
Instability and ambiguity of the legislation	4.02	1.08
High interest rates on loans	4.28	1.03
Cost of energy	3.92	1.26
Cost of material, raw materials	3.80	1.24
Availability of funding sources	3.99	1.30
Loss of market in the former Yugoslavia	3.03	1.66
Unfair competition	3.70	1.37
Domestic competition	3.86	1.25
Obsolete technology	3.40	1.49
Quality of products	3.30	1.29
Products prices	3.32	1.19
Labour costs	3.32	1.16
Non-innovative products	3.12	1.36
Lack of funds for research and development	2.84	1.58

Source: Own calculations

As major obstacles to development activities in enterprises respondents indicated a high interest rates on loans, high tax rates and contributions for employees, all that in an environment of limited availability of sources of funding. Instability and ambiguity of the legislation also appears as a serious problem, combined with administrative difficulties and complex procedures. The cost of energy is evaluated as a bigger problem than the cost of raw materials, followed by domestic competition, and unfair competition is considered as somewhat a less serious problem. Problems connected with the collection of claims/receivables is assessed as greater setback from the high rate of VAT.

The loss of market in former Yugoslavia is not cited as a crucial obstacle to the development of enterprises, and the lack of funds for research and development is even a smaller obstacle.

Table 2
Degree of agreement with the statements related to improvement of the competitiveness of market using the arithmetic means.

	Mean value	Standard deviation
Improving the quality of products and services	4.17	0.81
Improving the promotion of products	4.20	0.90
Obtaining quality certifications	4.03	1.03
Professional consulting assistance	3.46	1.31
Improvement and education in the field of entrepreneurship	3.83	1.17
Improvement and education in the field of IT	3.88	1.16
Improvement and education in the field of management	3.83	1.14
Improvement and education in finance	3.65	1.07
Improvement and education in the field of sales	3.89	1.03
Improvement and education in marketing	3.91	1.11
Improvement and education in foreign languages	3.38	1.20
Association with companies in the sector for joint appearance on the market	3.37	1.29
Assistance from development programs through grants	4.31	0.80
Assistance from development programs through favorable loans	4.30	0.82
Assistance from development programs through guarantee funds	3.80	1.25

Source: Own calculations

The most important measures regarding promotion of enterprise competition on the market are development assistance programs through grants, development assistance programs through favorable loans, improving the promotion of products, and the quality of products/services. Respondents are aware of the benefit of obtaining/ having certificates of quality.

Measures on the rank list that follow are improvement and education in the field of marketing, sales, IT, entrepreneurship, management, and development assistance programs through guarantee funds. The lowest ranked needs are expert technical assistance, training and education in foreign languages, and as the last idea from the options that respondents have chosen is associating with companies from the same sector to appear jointly on the market.

Table 3

Degree of agreement with claims with regard to plans for the business future (arithmetic means)

	Mean value	Standard deviation
Introducing new products or services	4.08	1.19
Sales on a new market	3.37	1.60
Exploring new markets	3.32	1.61
Search for new distribution channels	3.61	1.49
Expanding advertising and promotion	3.87	1.32
Investing in new equipment and machinery	3.69	1.47
Replacement of current equipment and machinery	3.73	1.47
Expansion of current facilities	3.68	1.51
Redesign/new arrangement of the current facilities	3.42	1.53
Search for additional financial capital	3.92	1.32
Computerization of current operations	3.29	1.52
Upgrading of computer systems	3.38	1.45
Redesign of work activities	3.29	1.50
Expanding the scope of work activities	3.77	1.32
Search for professional or technical advice	3.45	1.41
Additional engagement of staff specialists	3.37	1.47
Investing in staff training (elsewhere / not in the company)	2.63	1.54

Source: Own calculations

Respondents have indicated that introducing new products or services, demand for additional financial capital and expansion of advertising and promotion are planned activities in their enterprises for the following two years.

Next in the list of short-term priorities are expanding the scope of work activities, replacement

of current equipment/machines, investment in new equipment/machinery, expansion of current facilities and search for new distribution channels. Investing in staff training – elsewhere and not in the company – is the last thing that respondents plan to do soon.

Table 4

Degree of agreement with the statements in terms of attitudes to entrepreneurship using the arithmetic means

	Mean value	Standard deviation
My business is the most important activity in my life	4.13	0.89
I would do everything that is needed for my business to succeed	4.18	0.83
I plan to sell my business at the end	2.15	1.25
I would like to significantly contribute to the community by developing a successful business	4.29	0.83
I would prefer to have my own business than to earn higher wages working for someone else	4.78	1.95
To run your own business is more important than have more time for the family	3.80	1.09
I would prefer to have my own business to have another promising career	4.08	1.04
For the entrepreneur it is important to understand and accept the risk in order to start and run a successful business	4.26	0.81
I am ready to get into conflict with my family for the sake of running my business	3.70	1.09
I would put my house mortgaged to acquire capital for my business	3.52	1.40
I would be ready to have less security for my family in order to run my business	3.67	1.22
I run my business to continue the family tradition	3.34	1.39
I run my business to contribute to the welfare of my relatives	3.52	1.35
I run my business to live in a place that my family likes	3.47	1.29
I run my business to improve the status and prestige of my family	4.02	1.05
I run my business to have more flexibility in my personal and family life	4.08	1.01

Source: Own calculations

The attitude of respondents who would prefer to have their own business, rather than higher wages earned by working for someone else was best rated.

Respondents say they would like to significantly contribute to the community by developing a successful business, but are also aware that for the entrepreneur it is important to understand and accept the risk to start and run a successful business. There is an agreement with the view that business activities are most important in the lives of entrepreneurs, and they would do everything needed to have a successful business.

A high degree of agreement was observed among the entrepreneurs who run their business in order to improve the status and prestige of their families and to have more flexibility in their personal and family lives. They would prefer to have their own business than to have another promising career.

Entrepreneurs who were interviewed do not agree with the statement that selling the business is part of their plans.

CONCLUSION

From the results of the conducted survey it can be concluded that entrepreneurs in rural areas are often faced with numerous factors that limit the development of their enterprises: high VAT rates, problems with collection of receivables, high rates of taxes and contributions for employees as well as high interest rates on loans. Also, there are problems with the administrative complications and complexity of procedures and the instability of the legislation. The loss of the market in former Yugoslavia gradually ceases to be a major problem that limits the development of rural enterprises. Outdated technology is still a problem for Macedonian enterprises in rural areas, but it does not affect drastically the quality of products and their prices which are their competitive advantages on the domestic and foreign markets. The intention of Macedonian rural enterprises to promote their business and thus the competitiveness on the market is satisfactory. They intend to do so, primarily by improving the quality of products/services, enhanced promotion of products as well as obtaining quality certificates. From the state and its institutions they expect aid by development programs through grants and development assistance pro-

grams through guarantee funds, and above all, they expect help from development programs through favorable loans. Still insufficient readiness for association with other companies in the same sector in order to jointly appear on the market and the readiness to receive expert technical assistance was noted. The readiness for training and education in the areas of entrepreneurship, as well as computer science, management, sales and marketing is unsatisfactory. The need for studying a foreign language is still not taken seriously enough.

In relation to the plans for future business one can conclude that in rural enterprises they are somewhat contradictory. Namely, the plans for business are primarily linked with introduction of new products or services, expanding advertising and promotion, investment in new equipment and machinery, expansion of current facilities, expanding the scope of work activities, as well as search for additional financial capital to achieve all that. However, that is not supported sufficiently by perhaps the most important business activities – exploring new markets and sale on new markets. In their plans for future business entrepreneurs in rural areas unjustifiedly they neglect business activities such as redesign of work activities and upgrading of computer systems, along with additional engagement of staff specialists and investment in staff training.

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