

THE STATE OF THE RURAL ENTREPRENEURSHIP IN THE EAST PLANNING REGION OF THE REPUBLIC OF MACEDONIA

Tošo Kostadinov

*Ss. Cyril and Methodius” University in Skopje, Institute of Animal Science,
Blvd. Ilinden, 92A; P.O. box. 207, 1000 Skopje, Republic of Macedonia,
tosokostadinov@gmail.com*

The aim of this paper is to incorporate new findings in the body of knowledge regarding entrepreneurship in rural areas of the Eastern Planning Region in the Republic of Macedonia. In that view interviewing was conducted with 18 owners of SMEs in rural areas who were presented four sets of statements that are important for understanding of the situation with entrepreneurship in rural areas of the Eastern Region in the Republic of Macedonia valued at five-degree scale from irrelevant to that of priority. One of the conclusions, by which the state of entrepreneurship and SMEs in rural areas of the Eastern Planning Region of the Republic of Macedonia is assessed, based on empirical research and compared with the results of an identical research on rural entrepreneurship on the whole territory of the Republic of Macedonia, is that the rural entrepreneur from that region of the country has less satisfactory entrepreneurial qualities required by the developed business world in terms of commitment, desire for independence, flexibility, etc. The main development priorities of the Eastern Region in the following period: 1) Higher economic development. 2) Modern infrastructure and functional spatial structures. 3) Increased investment in the region. 4) The Eastern Region as a well-known tourist destination. 5) Competitive agricultural sector. 6) Securing a healthy environment. 7) Social development promotion.

Key words: Eastern planning region in the Republic of Macedonia; rural entrepreneurship; rural entrepreneurs; SMEs; rural area

СОСТОЈБАТА СО РУРАЛНОТО ПРЕТПРИЕМНИШТВО ВО ИСТОЧНИОТ ПЛАНСКИ РЕГИОН ВО РЕПУБЛИКА МАКЕДОНИЈА

Целта на овој труд е да се вклучат нови наоди во тело на знаење за претприемништвото во руралните области на Источниот плански регион во Република Македонија. Во тој поглед интервјуирање е спроведена со 18 сопственици на мали и средни претпријатија во руралните области кои беа презентирани четири групи на извештаи кои се важни за разбирање на ситуацијата со претприемништвото во руралните области на Источниот плански регион во Република Македонија во вредност од пет-степен скала од несоодветни на онаа на приоритет. Еден од заклучоците, со што состојбата на претприемништвото и малите и средни претпријатија во руралните области на Источниот плански регион на Република Македонија се проценува врз основа на емпириски истражувања и во споредба со резултатите од идентична истражување на руралните претприемништвото на целата територија на Република Македонија, е дека руралните претприемач од тој регион во државата е понеповолна во претприемачки квалитети потребни од страна на развиените бизнис светот во однос на посветеност, желба за независност, флексибилност, итн. Главни развојни преоритети на Источниот плански регион во наредниов период се: 1) Поголем економски развој. 2) Модерна инфраструктура и функционални просторни структури. 3) Зголемување на инвестициите во регионот. 4) Источниот регион како добро позната туристичка дестинација. 5) Конкурентен земјоделски сектор. 6) Обезбедување на здрава животна средина. 7) Промоција на социјалниот развој.

Клучни зборови: Источен плански регион во Република Македонија; рурално претприемништво; рурален претприемач; МСП; рурални подрачја

INTRODUCTION

The Eastern Planning Region is located in the eastern part of the Republic of Macedonia and covers the whole catchment area of the river Bregalnica. It has an area of 3.537 sqkm, i.e. 14% of the total territory of the country.

The planning region has 11 municipalities and 217 settlements, 209 of which are rural. The total population is 179.846 and the population density is 51 inhabitants/sqkm. However, due to the permanent depopulation process, there is a very large number of abandoned villages, villages with a population lower than 100 and villages with exceptionally high aging index. This leads to a concentration of approximately 66% of the population in urban areas.

The region borders with the Republic of Bulgaria in the east, and communication with the neighbouring country is established through the border crossing Delchevo in the municipality of Delchevo. There are possibilities for activation of border crossing Klepalo, Ajdutska Cheshma and Crna Skala.

Climate conditions in the region are favourable for the development of agriculture, especially for rice growing. Hence, the dominant agricultural activity is crop growing, more precisely cereals: rice, as the most important, as well as barley, wheat and corn. The rice fields in the planning region yield approx. 95% of the total rice production in the Republic of Macedonia. In addition to cereals, the planning region boasts a well developed production of vegetables, based on warm groundwater, tobacco, and the planning region is the largest potato producer in the country. Animal husbandry, especially sheep and goat rearing, also has a high potential for growth and export. There is also great potential for development of milk and meat processing industry, since 40% of pig rearing in the Republic of Macedonia is done in that region.

Two hydro dams, forming two accumulation lakes (Kalimanci and Kochansko Lake), have been built on Bregalnica river, as the main source of water for the planning region. The Eastern Region has no other significant water resources; thus the future needs for drinking water and irrigation will be satisfied by building new accumulation lakes on the river Bregalnica and on other rivers, such as Zletovica.

38% of the total area of the region is forested, amounting to 13% of the total area under forest in the Republic of Macedonia. Raw materials and other resources of greatest economics significance for the planning region are the lead and zinc ore from the mines Zletovo, Dobrevo and Kamenica (with an annual production of 1.000.000 tones); most abundant non-metal ores are asbestos, kaolin clay, opal breccias, as well as the lignite deposits Brik near Berovo.

Natural heritage in the region is especially rich, offering opportunities for development of rural tourism; locations of special significance are the multiple mineral water springs and the thermal waters in the Vinica (Istibanja) and the Shtip (Kezhovica) region. Additional proof of the abundance of natural riches and development potentials are the several nature reserves: Goten, Linak, Malesh, Zrnovska Reka, Ilomija river and nature monuments: Zvegor, the cave Konjska Dupka, Morodvis, Machevo, Crna Topola, as well as the large number of villages.

Noteworthy archaeological sites in the Eastern Region are: citadel Vinichko Kale and Bargala.

The Eastern Planning Region has a per capita GDP of 2.777€, which is approx. 14.9% less than the national average for the Republic of Macedonia. It is ranked fifth among the eight planning regions, and contributes to 7.5% of the national GDP. The most significant economics sectors in the region are: agriculture and food industry, textile, footwear industry and construction.

MATERIALS AND METHODS

The aim of this research is based upon relevant literature, documents and particularly an analysis of relevant sample of interviews (owners of 18 SMEs) to observe the conditions of the rural entrepreneurship in rural parts of the South-East Planning Region. The comparison of the obtained results with those relevant to the rural parts on the whole territory of the Republic of Macedonia (interviewed suitable sample of owners of 101 SMEs) puts mole light on the entrepreneurship in the researched region.

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.

RESULTS AND DISCUSSION

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

The results are compared to those obtained from rural areas on the territory of the Republic of Macedonia.

Compared with the results obtained from SMEs in rural areas throughout the Republic of Macedonia, SMEs in the rural areas of the East Region demonstrate significantly more pronounced obstacles that hinder the development of enterprises.

The most important measures regarding promoting 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.

Compared with the results from a survey of SMEs in rural areas on the whole territory of the Republic of Macedonia, SMEs in the rural areas of the Eastern Planning Region, still indicate to be significantly less competitive on the market.

The results of the comparative analysis have shown that owners have expressed a lower degree of consideration regarding future plans for their own businesses of SMEs (Eastern Planning Region) than their average counterparts from rural areas of the Republic of Macedonia.

Generally speaking, the responses to the set of statements regarding the attitudes towards entrepreneurship indicate a relatively affirmative attitudes towards entrepreneurship. However, the responses from SMEs in the rural areas of the Eastern Region indicate that the attitudes towards entrepreneurship among SMEs in the region are less positive than the views expressed by SMEs in rural areas throughout the territory of the Republic of Macedonia.

Table 1

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

	Mean value (rural areas)	
	Republic of Macedonia	Eastern planning region
High rate of VAT	3.60	3.87
Problems with collection of claims	3.65	3.88
High rates of tax and employee contributions	4.18	4.34
Administrative difficulties and complex of procedures	3.99	4.27
Instability and ambiguity of the legislation	4.02	4.30
High interest rates on loans	4.28	4.44
Cost of energy	3.92	4.13
Cost of material, raw materials	3.80	3.96
Availability of funding sources	3.99	4.30
Loss of market in the former Yugoslavia	3.03	3.38
Unfair competition	3.70	3.96
Domestic competition	3.86	4.05
Obsolete technology	3.40	3.53
Quality of products	3.30	3.53
Products prices	3.32	3.38
Labour costs	3.32	3.42
Non-innovative products	3.12	3.33
Lack of funds for research and development	2.84	3.12

Source: own calculations

Table 2

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

	Mean value (rural areas)	
	Republic of Macedonia	Eastern planning region
Improving the quality of products and services	4.17	4.05
Improving the promotion of products	4.20	4.04
Obtaining quality certifications	4.03	3.88
Professional consulting assistance	3.46	3.21
Improvement and education in the field of entrepreneurship	3.83	3.66
Improvement and education in the field of IT	3.88	3.66
Improvement and education in the field of management	3.83	3.69
Improvement and education in finance	3.65	3.51
Improvement and education in the field of sales	3.89	3.75
Improvement and education in marketing	3.91	3.76
Improvement and education in foreign languages	3.38	3.28
Association with companies in the sector for joint appearance on the market	3.37	3.08
Assistance from development programs through grants	4.31	4.11
Assistance from development programs through favorable loans	4.30	4.06
Assistance from development programs through guarantee funds	3.80	3.69

Source: own calculations

Table 3

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

	Mean value (rural areas)	
	Republic of Macedonia	Eastern planning region
Introducing new products or services	4.08	3.98
Sales on a new market	3.37	3.12
Exploring new markets	3.32	3.06
Search for new distribution channels	3.61	3.52
Expanding advertising and promotion	3.87	3.65
Investing in new equipment and machinery	3.69	3.44
Replacement of current equipment and machinery	3.73	3.66
Expansion of current facilities	3.68	3.47
Redesign/new arrangement of the current facilities	3.42	3.24
Search for additional financial capital	3.92	3.88
Computerization of current operations	3.29	3.13
Upgrading of computer systems	3.38	3.13
Redesign of work activities	3.29	3.13
Expanding the scope of work activities	3.77	3.56
Search for professional or technical advice	3.45	3.33
Additional engagement of staff specialists	3.37	3.12
Investing in staff training (elsewhere / not in the company)	2.63	2.47

Source: own calculations

Table 4

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

	Mean value (rural areas)	
	Republic of Macedonia	Eastern planning region
My business is the most important activity in my life	4.13	3.88
I would do everything that is needed for my business to succeed	4.18	4.02
I plan to sell my business at the end	2.15	2.46
I would like to significantly contribute to the community by developing a successful business	4.29	4.13
I would prefer to have my own business than to earn higher wages working for someone else	4.78	4.53
To run your own business is more important than have more time for the family	3.80	3.66
I would prefer to have my own business than to have another promising career	4.08	3.99
For the entrepreneur it is important to understand and accept the risk in order to start and run a successful business	4.26	4.04
I am ready to get into conflict with my family for the sake of running my business	3.70	3.57
I would put my house mortgaged to acquire capital for my business	3.52	3.46
I would be ready to have less security for my family in order to run my business	3.67	3.55
I run my business to continue the family tradition	3.34	3.18
I run my business to contribute to the welfare of my relatives	3.52	3.36
I run my business to live in a place that my family likes	3.47	3.25
I run my business to improve the status and prestige of my family	4.02	3.88
I run my business to have more flexibility in my personal and family life	4.08	3.92

Source: own calculations

CONCLUSION

When compared with the results obtained from SMEs in rural areas throughout the Republic of Macedonia, SMEs in the rural areas of the East Region seem to meet significantly more pronounced obstacles that hinder the development of enterprises.

The most important measures regarding promoting 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 benefits regarding obtaining/ having certificates of quality.

In comparison with the results obtained from the survey of SMEs in rural areas on the whole territory of the Republic of Macedonia, SMEs in the rural areas of the Eastern Planning Region, still

indicate to be significantly less competitive on the market.

The results of the comparative analysis have shown that owners have expressed a lower degree of consideration regarding future plans for their own businesses of SMEs (Eastern Planning Region) than their average counterparts from rural areas of the Republic of Macedonia.

Taken as a whole, the responses to the set of statements relative to the attitudes towards entrepreneurship indicate relatively affirmative attitudes regarding entrepreneurship. However, the responses from SMEs in the rural areas of the Eastern Region demonstrate that attitudes towards entrepreneurship among SMEs in the region are less positive than the views expressed by SMEs in rural areas on the whole territory of the Republic of Macedonia.

The main development priorities of the Eastern Region in the following period:

1. Higher level of economic development.
2. Modern infrastructure and functional spatial structures.
3. Raised level of investment in the region.
4. The Eastern Region as a well-known tourist destination.
5. Competitive agricultural sector.
6. Securing healthy environment.
7. Social development promotion.

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