

## RURAL DEVELOPMENT IN THE SOUTHEAST PLANNING REGION IN THE REPUBLIC OF MACEDONIA THROUGH ENTREPRENEURSHIP

Tosho KOSTADINOV<sup>1\*</sup>, Nedeljka NIKOLOVA<sup>1</sup>, Vesna LEVKOV<sup>1</sup>, Eljmi JUSUFI<sup>1</sup>,  
Konstantin MINOSKI<sup>2</sup>

<sup>1</sup>University of Cyrilus and Methodius, Institute of Animal Science, Skopje, Republic of Macedonia

<sup>2</sup>University of Cyrilus and Methodius, Faculty of Philosophy, Skopje, Institute of Sociology, Republic of  
Macedonia

\*Corresponding author: [tosokostadinov@gmail.com](mailto:tosokostadinov@gmail.com)

### Abstract

The aim of this paper is to find out more about present conditions of the rural entrepreneurship in rural parts of the Southeast Planning Region (SPR) in the Republic of Macedonia (RoM). For that purpose, interviews were conducted with 21 owners of Small-Medium Entrepreneurs (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 SRP in the RoM 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 Southeast Region of the RoM is assessed, based upon an empirical research and compared with the results of an identical research on rural entrepreneurship on the territory of the RoM, is that the rural entrepreneur there has reached a satisfying level of entrepreneurial qualities, which are required by the developed business world, in terms of commitment, desire for independence, flexibility etc.

**Keywords:** *Southeast planning region, rural entrepreneurship, rural entrepreneurs, SMEs, rural area*

### Introduction

The SPR is located in the South-eastern part of the RoM with some highland and much larger part of flat land. The altitude varies between 64 and 2.157 meters (the peak Zelen Breg on Kozhuv mountain). This planning region is mainly characterized by Mediterranean climate, with 340 sunny days per year, making it the sunniest region of the country (Decision on the Classification of the Planning Regions according to the Degree of Development for the period 2008-2012, 2007),

This planning region consists of 10 municipalities with a total area of 2.739 km<sup>2</sup> and a population of 172.693. The average population density is 66 inhabitants/km<sup>2</sup>, slightly less than the national average. Most of the population (60%) lives in 182 rural settlements (State Statistical Office: Announcement no. 2.4.10.10, 2010).

The planning region borders Greece to the south and Bulgaria to the east.

The SPR has excellent climate and soil conditions for development of agriculture and vegetable growing, especially early vegetables under plastic foil, an activity in which this planning regions has the greatest experience in the country. Dominant cultures are tomato, pepper, cucumber, cabbage, onion, muskmelon and watermelon, Approximately 60% of the needs of the RoM are covered by the production from this planning region. Other characteristic products are the persimmon and pomegranate (Ministry of Local Self-Government of the Republic of Macedonia, 2011).

Dojran Lake, the smallest natural lake in the RoM, and the only one in the planning region in question, is an isolated eco-system with specific flora and fauna that enjoys its natural habitat after the improvement of the hydrological conditions of the lake in recent years.

The natural heritage is enriched by the Smolarski and Koleshinski waterfalls, Dojran Lake and the thermal water springs that offer great potentials for development of tourism. The thermo-mineral hydro-potential is located in the two spa and wellness centres: Banja Bansko, at the foothill of maintain Belasica and Negorski Banji, at the foothill of maintain Kozhuv, both at an altitude of 250 meters, offering water temperatures of 71 °C and 50 °C, respectively. The archaeological site Vardarski Rid (a multi-layered habitat from between the XIII and the I century BC), the Roman baths in Bansko, the monasteries in Vodocha and Veljusa, and the carnival in Strumica constitute the cultural and historical heritage of the planning region.

The SPR has a per capita Gross Domestic Product (GDP) of 3.088 EUR which is approx. 15.4% less than the national average for the RoM (State Statistical Office: Announcement no.3.1.11.03, 2011). Hence, this region is ranked fourth of the eight planning regions in the country and contributes 8% to the total Macedonian GDP. The following are the most important industries: agriculture, animal husbandry, metallurgy, food industry, tourism and trade.

The following are development priorities for this region:

1. Production of high-quality, branded fruits, vegetables and grapes, as well as processed foods, since growing demand trends are evidenced both on the regional and global markets.
2. Higher employment rate by increasing the number of SMEs, promotion of competitiveness and human resources development.
3. Building of new and improvement of the existing physical infrastructure, particularly the infrastructure related to transport, energy and IT, with the aim of promoting economic growth and improvement of the competitiveness in the region.
4. Development of spa and wellness centres, cultural, village and alternative tourism through cooperation with the neighbouring regions and countries.
5. Protection and improvement of the environment through renewable energy resources and sustainable development.
6. Promotion of the region with the view of attracting foreign direct investments related to sustainable growth.

The aim of this research is to find out more about present conditions of the rural entrepreneurship in rural parts of the SPR.

### **Materials and methods**

This research encompassed extended literature review as well as field questionnaire survey carried out with 21 owners of SMEs in rural areas, the municipalities of Gevgelija, Bogdanci, Strumica, Vasilevo, Bosilovo of the SPR, during the year of 2011. The obtained results were compared with those relevant to the rural parts on the whole territory of the RoM through interviewed suitable sample of owners of 101 SMEs (Kostadinov, T., 2011) provided more insights on the entrepreneurship in the studied 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, statistical method and the comparative method.

### **Results and discussion**

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

The results are compared to those obtained from rural areas on 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

	Republic of Macedonia (rural areas)	Southeast planning region (rural areas)
	Mean value	Mean value
High rate of Value-Added Tax (VAT)	3.60	3.42
Problems with collection of claims	3.65	3.60
High rates of taxes and employee contributions	4.18	3.95
Administrative difficulties and complexity of procedures	3.99	3.77
Instability and ambiguity of the legislation	4.02	3.92
High interest rates of loans	4.28	4.08
Cost of energy	3.92	3.85
Cost of material, raw materials	3.80	3.76
Availability of funding sources	3.99	1.30
Loss of market in the former Yugoslavia	3.03	2.88
Unfair competition	3.70	3.66
Domestic competition	3.86	3.68
Obsolete technology	3.40	3.33
Quality of products	3.30	3.24
Products prices	3.32	3.30
Labour costs	3.32	3.24
Non-innovative products	3.12	3.10
Lack of funds for research and development	2.84	2.70

Source: Authors' own elaboration based on questionnaire survey results

As major obstacles to development activities in enterprises respondents indicated high interest rates on loans, high tax rates and contributions for employees, all that in an environment of limited availability of sources of funding. However, compared to the data obtained from SMEs in rural areas of the whole territory of the RoM, in SMEs in rural areas of the SPR these obstacles are emphasized in a slightly lower degree.

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

	Republic of Macedonia (rural areas)	Southeast planning region (rural areas)
	Mean value	Mean value
Improving the quality of products and services	4.17	4.23
Improving the promotion of products	4.20	4.24
Obtaining quality certifications	4.03	4.11
Professional consulting assistance	3.46	3.54
Improvement and education in the field of entrepreneurship	3.83	3.86

Improvement and education in the field of Information and Communication Technologies (ICT)	3.88	3.96
Improvement and education in the field of management	3.83	3.89
Improvement and education in finance	3.65	3.71
Improvement and education in the field of sales	3.89	3.96
Improvement and education in marketing	3.91	4.03
Improvement and education in foreign languages	3.38	3.38
Association with companies in the sector for joint appearance on the market	3.37	3.38
Assistance from development programs through grants	4.31	4.41
Assistance from development programs through favourable loans	4.30	4.36
Assistance from development programs through guarantee funds	3.80	3.89

Source: Authors' own elaboration based on questionnaire survey results

The most important measures regarding promoting of enterprise competition on the market are development assistance programs through grants, development assistance programs through favourable 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 to the results obtained from the survey of SMEs in rural areas on the whole territory of the RoM, owners of SMEs from rural areas in the SPR demonstrate more competitive attitudes.

Table 3. Degree of agreement with claims with regard to plans for the business future (arithmetic means)

	Republic of Macedonia (rural areas)	Southeast planning region (rural areas)
	Mean value	Mean value
Introducing new products or services	4.08	4.19
Sales on a new market	3.37	3.42
Exploring new markets	3.32	3.36
Search for new distribution channels	3.61	3.72
Expanding advertising and promotion	3.87	3.96
Investing in new equipment and machinery	3.69	3.77
Replacement of current equipment and machinery	3.73	3.86
Expansion of current facilities	3.68	3.77
Redesign/new arrangement of the current facilities	3.42	3.44
Search for additional financial capital	3.92	4.04
Computerization of current operations	3.29	3.33
Upgrading of computer systems	3.38	3.43
Redesign of work activities	3.29	3.32
Expanding the scope of work activities	3.77	3.86
Search for professional or technical advice	3.45	3.52
Additional engagement of staff specialists	3.37	3.42
Investing in staff training (elsewhere/not in the company)	2.63	2.80

Source: Authors' own elaboration based on questionnaire survey results

The results of the comparative analysis show that owners of SMEs have expressed a certain degree of higher consideration regarding future plans for their own businesses (SPR) than their average counterparts from rural areas of the RoM.

Table 4. Degree of agreement with the statements in terms of attitudes to entrepreneurship, using the arithmetic means

	Republic of Macedonia (rural areas)	Southeast planning region (rural areas)
	Mean value	Mean value
My business is the most important activity in my life	4.13	4.17
I would do everything that is needed for my business to succeed	4.18	4.22
I plan to sell my business at the end	2.15	2.06
I would like to significantly contribute to the community by developing a successful business	4.29	4.33
I would prefer to have my own business than to earn higher wages working for someone else	4.78	4.82
To run your own business is more important than to have more time for the family	3.80	3.86
I would prefer to have my own business than to have another promising career	4.08	4.12
For the entrepreneur it is important to understand and accept the risk in order to start and run a successful business	4.26	4.33
I am ready to get into conflict with my family for the sake of running my business	3.70	3.77
I would put my house mortgaged to acquire capital for my business	3.52	3.56
I would be ready to have less security for my family in order to run my business	3.67	3.76
I run my business to continue the family tradition	3.34	3.43
I run my business to contribute to the welfare of my relatives	3.52	3.57
I run my business to live in a place that my family likes	3.47	3.55
I run my business to improve the status and prestige of my family	4.02	4.12
I run my business to have more flexibility in my personal and family life	4.08	4.22

Source: Authors' own elaboration based on questionnaire survey results

Generally, the responses to this set of questions by owners of SMEs from the rural parts of the Southeast Region indicate more positive attitudes regarding entrepreneurship, which permits us to acknowledge that the attitudes towards entrepreneurship among owners are more positive than those expressed from SMEs in rural areas on the whole territory of the RoM.

### **Conclusion**

As major obstacles to development activities in enterprises, respondents indicated the high interest rates of loans, high tax rates and contributions for employees, all that in an environment of limited availability of sources of funding. Still, compared to the results obtained from SMEs in rural areas on the whole territory of the RoM these obstacles are slightly less emphasized by owners of SMEs in rural areas of the Southeast Region.

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

In comparison to the results from the research of SMEs from rural areas on the whole territory of the RoM, owners of SMEs from rural areas of the SPR demonstrate higher levels of competitive attitudes.

The results of the comparative research has shown a certain level of higher consideration of plans among owners of SMEs for their own businesses in rural areas of the Southeast Region relative to those recorded from SMEs in rural parts on the territory of the RoM.

Generally speaking, the responses to this set of questions by owners of SMEs from rural parts of the Southeast Region indicate to more positive attitudes regarding entrepreneurship, which enables us to conclude that the attitudes towards entrepreneurship among owners are more positive than those expressed from SMEs in rural areas on the whole territory of the RoM.

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