

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

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### Abstract

This paper aims to incorporate new findings in the body of knowledge regarding entrepreneurship in rural areas of the Vardar planning region (VPR) in the Republic of Macedonia (RoM). With that in view interviewing was conducted with 18 individuals/owners of Small-Medium Entrepreneurs (SMEs) in rural areas. They were offered four sets of statements that are important for understanding the situation of entrepreneurship in rural areas of the Vardar Region in the Republic of Macedonia, valued at a five-level scale from unimportant to that of priority. The conclusion, which illustrates the state of entrepreneurship and SMEs in rural areas of the Vardar Region in the Republic of Macedonia, based upon empirical research, is that rural entrepreneurs of that region in the country, unlike the average rural entrepreneurs in the country, display lower levels of entrepreneurial characteristics. The state and local governments should undertake measures in view of promotion of entrepreneurial skills among the population of that region.

**Keywords:** *Vardar Region, rural entrepreneurship, rural entrepreneurs, SMEs, rural area*

### Introduction

The VPR is located in the central part of the RoM and encompasses the central catchment area of the river Vardar, the lower courses of the rivers Bregalnica and Crna Reka, as well as the westernmost part of Ovche Pole valley. It has an area of 4.042 km<sup>2</sup>, which represents 16% of total territory 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 has 9 municipalities and 215 settlements with a total population of 153.837 inhabitants (State Statistical Office: Announcement no. 2.4.10.10, 2010). The region has a very low population density of 38 inhabitants/km<sup>2</sup> (compared to the national average of 81 inhabitants/km<sup>2</sup>) and a large concentration of the population in the urban centres (approx. 69%).

The VPR borders Greece on the south, with the border crossing Pulevec, still being inactive. This border crossing can be of exceptional importance for promotion of the cross-border cooperation with Greece, as well as the regional development, since it can offer quick access to the ski centre Kozhuf (Ministry of Local Self-Government of the Republic of Macedonia, 2011).

The studied region has excellent climate conditions for development of agriculture and winegrowing. Approximately 45% of the total area under wines in the country is located in this region (Tikvesh and Demir Kapija), which makes it internationally recognizable. Besides winegrowing, agriculture is highly specialized, most typical crops being fruit (peaches, mainly in Rosoman) and cereals (particularly wheat and barley), Ovche Pole offering favourable climate conditions regarding the latter.

Economically, most significant mineral resources in that region are the ferronickel ores and other mineral deposits include perlite, talc, quartzite and Diatomaceous earth. Water resources consist of the lower courses of the rivers Vardar, Crn Drim, Bregalnica, Babuna, Topolka and Otovica, giving potentials for the construction of 6 accumulation lakes, three of which - namely Tikvesh, Lisiche and Mladost - have already been built.

What is especially interesting regarding generation of electricity in the region is the possibility for use of the electricity producing potential of the river Vardar through the energy project Vardar Valley. The large number of sunlight hours per year (between 2.200 and 2.600, depending on the geographical location), as well as significant presence of wind (Ovche Pole), create opportunities for generation of renewable energy.

Among the rich natural, cultural and historical heritage of the region locations that deserve special attention are the nature reserve Tikvesh, the natural monument Demir Kapija, and the archaeological site of Stobi, since they offer great potentials for development of tourism. The long tradition of the Tikvesh wine harvesting festival and the production of wine provide opportunities for development of wine tourism, and the newly built ski centre Kozhuv is the most modern facility of that type in the country which is expected to be the flagship centre for winter sports in Macedonia.

The VPR has a per capita Gross Domestic Products (GDP) of 3.161€, which is approximately 3.1 % lower than the national average for the RoM (State Statistical Office: Announcement no.3.1.11.03, 2011). Hence, this region is ranked as third of the eight planning regions in the country and contributes with 7.3 % of the total Macedonian GDP. The following are the most significant economic sectors in the region: metallurgy, agriculture, food, tobacco, textile and metal processing industry. VPR is centrally located in Macedonia; the main transport corridor (north-south) on the Balkans passes through that region, making it one of the main crossroads in the country (after Skopje, Veles is the second most important transport junction in Macedonia), for both road and railway transport.

Development priorities of this planning region are the followings:

1. Increasing regional competitiveness and possessing well qualified and educated workforce, in line with the needs of the economy.
2. Development of transit, sustainable and cultural tourism.
3. Improvement of the infrastructure and energy-producing potentials in the region.
4. Securing conditions for improvement of the environment in the region.
5. Creation of preconditions for sustainable agriculture and rural development in the region.
6. Development of effective educational system, based on values, that will be accessible and able to prepare its beneficiaries for life's challenges.

The aim of this research is to observe the conditions of the rural entrepreneurship in rural parts of the VPR.

### **Materials and methods**

The paper is based on desk research as authors consulted a number of secondary data and field research interviews with 18 owners of SMEs, from the municipalities: Kavadarci, Rosoman, Negotino, Gradsko and Veles, during the year 2011. The selection of owners was made randomly. The comparison of the obtained results 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), puts more light on the conditions of 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, statistical method and the comparative method.

## Results and discussion

Survey respondents answered four groups of statements important to perceive the situation of rural entrepreneurship in the VPR 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 whole territory of the RoM.

**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) Mean value	Vardar planning region (rural areas) Mean value.
High rate of VAT	3.60	3.72
Problems with collection of claims	3.65	3.69
High rates of tax and employee contributions	4.18	4.24
Administrative difficulties and complexity of procedures	3.99	4.07
Instability and ambiguity of the legislation	4.02	4.10
High interest rates on loans	4.28	4.33
Cost of energy	3.92	4.04
Cost of material, raw materials	3.80	3.86
Availability of funding sources	3.99	4.04
Loss of market in the former Yugoslavia	3.03	3.16
Unfair competition	3.70	3.82
Domestic competition	3.86	3.94
Obsolete technology	3.40	3.55
Quality of products	3.30	3.33
Products prices	3.32	3.42
Labour costs	3.32	3.44
Non-innovative products	3.12	3.18
Lack of funds for research and development	2.84	3.03

*Source: Authors' own elaboration based on questionnaire survey results*

The responses to this set of statements indicate that in SMEs from rural areas of the VPR obstacles to development activities are more emphasized, compared to those from SMEs from rural areas on the whole territory of the RoM.

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

	Republic of Macedonia (rural areas)	Vardar planning region (rural areas)
	Mean value	Mean value
Improving the quality of products and services	4.17	4.10
Improving the promotion of products	4.20	4.12
Obtaining quality certifications	4.03	3.95
Professional consulting assistance	3.46	3.42
Improvement and education in the field of entrepreneurship	3.83	3.75
Improvement and education in the field of IT	3.88	3.77
Improvement and education in the field of management	3.83	3.74
Improvement and education in finance	3.65	3.55
Improvement and education in the field of sales	3.89	3.79
Improvement and education in marketing	3.91	3.83
Improvement and education in foreign languages	3.38	3.28
Association with companies in the sector for joint appearance on the market	3.37	3.28
Assistance from development programs through grants	4.31	4.29
Assistance from development programs through favourable loans	4.30	4.23
Assistance from development programs through guarantee funds	3.80	3.74

*Source: Authors' own elaboration based on questionnaire survey results*

From the viewpoint of improvement of competitiveness, the responses to this set of questions indicate to lower level of competitiveness of SMEs from rural areas in the VPR, compared with SMEs from rural areas on the whole territory of the RoM.

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

	Republic of Macedonia (rural areas)	Vardar planning region (rural areas)
	Mean value	Mean value
Introducing new products or services	4.08	4.00
Sales on a new market	3.37	3.32
Exploring new markets	3.32	3.27
Search for new distribution channels	3.61	3.55
Expanding advertising and promotion	3.87	3.77
Investing in new equipment and machinery	3.69	3.61
Replacement of current equipment and	3.73	3.69

machinery		
Expansion of current facilities	3.68	3.59
Redesign/new arrangement of the current facilities	3.42	3.34
Search for additional financial capital	3.92	3.86
Computerization of current operations	3.29	3.21
Upgrading of computer systems	3.38	3.30
Redesign of work activities	3.29	3.21
Expanding the scope of work activities	3.77	3.69
Search for professional or technical advice	3.45	3.41
Additional engagement of staff specialists	3.37	3.33
Investing in staff training (elsewhere / not in the company)	2.63	2.58

Source: own calculations

Interviewed owners of SMEs from the areas of the VPR have demonstrated lower levels of agreement with the statements regarding plans for the business in future, compared to those of SMEs from rural areas on the whole territory 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)	Vardar planning region (rural areas)
	Mean value	Mean value
My business is the most important activity in my life	4.13	4.04
I would do everything that is needed for my business to succeed	4.18	4.10
I plan to sell my business at the end	2.15	2.22
I would like to significantly contribute to the community by developing a successful business	4.29	4.18
I would prefer to have my own business than to earn higher wages working for someone else	4.78	4.68
To run your own business is more important than to have more time for the family	3.80	3.70
I would prefer to have my own business than to have another promising career	4.08	4.02
For the entrepreneur it is important to understand and accept the risk in order to start and run a successful business	4.26	4.18
I am ready to get into conflict with my family for the sake of running my business	3.70	3.63
I would put my house mortgaged to acquire capital for my business	3.52	3.44
I would be ready to have less security for my family in order to run my business	3.67	3.60

I run my business to continue the family tradition	3.34	3.26
I run my business to contribute to the welfare of my relatives	3.52	3.44
I run my business to live in a place that my family likes	3.47	3.40
I run my business to improve the status and prestige of my family	4.02	3.95
I run my business to have more flexibility in my personal and family life	4.08	3.97

*Source: Authors' own elaboration based on questionnaire survey results*

What concerns the agreement with the statements regarding entrepreneurial attitudes owners of SMEs from rural areas of the Vardar Planning Region demonstrate slightly lower levels compared to those from rural parts on the territory of the whole Republic of Macedonia.

### **Conclusion**

The responses to the set of statements in terms of constraints on the development of enterprises indicate that in SMEs from rural areas of the VPR obstacles to development activities are more emphasized, compared to those among SMEs from rural areas on the whole territory of the RoM.

From the viewpoint of improvement of competitiveness, the responses to this set of questions indicate to lower level of competitiveness of SMEs from rural areas in this region, compared with SMEs from rural areas on the whole territory of the RoM.

Interviewed owners of SMEs from rural areas of the VPR have demonstrated lower level of agreement with the statements regarding plans for the business in future, compared to those from SMEs from rural areas on the whole territory of the RoM.

What concerns the agreement with the statements regarding entrepreneurial attitudes, compared to those from rural parts on the territory of the whole RoM, owners of SMEs from rural areas of the VPR demonstrate slightly lower levels.

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