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RURAL ENTREPRENEURSHIP AND SUSTAINABLE ECONOMIC DEVELOPMENT IN SERBIA

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Abstract

Rural development is linked to entrepreneurship to a greater extent than ever before. Institutions and individuals promoting rural development now see entrepreneurship as a strategic development intervention that could accelerate the rural development process. Rural entrepreneurship has an enormous employment potential. Women see it as an employment opportunity near their homes which provides independence and reduces the need for social support. Farmers see it as an instrument for improving farm earnings and achieving a better standard of living. However, the acceptance of entrepreneurship as a central development force by itself will not result in rural development and the advancement of rural enterprises. What is also needed is an environment in rural areas conducive to entrepreneurship. The author points out that the creation of such an environment starts already at the national level with the foundation of policies for macro-economic stability. In addition, she discusses what local communities can do to foster rural entrepreneurship in general.

Key words: *Rural development, rural entrepreneurship, developed countries, countries in transition, Serbia*

Introduction

Rural development has in recent years been increasingly taking the leading role in the development of rural regions. This is due to a number of factors. In the first place, the traditional economic activities based on routine production in agriculture and the activities based on the use of natural resources continually struggle to survive and be competitive on the global market. In order to achieve these goals, it is necessary that the agriculture development strategy should be changed. It is for this reason that experts in this field make attempts to discover new sources that would help raise competitiveness. Hence a vast majority of researchers introduce new concepts and possibilities that

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can be implemented in creating a new and sustainable economic development of rural regions. This development can be defined as “sustaining wealth and improving the production competencies of rural local communities or a long-term building of a stimulating environment that will foster these competencies“ (Andrew F. Fieldsend and János Nagy, 2006).

The new approach that has been developed in the last decade is linked to the “bottom-up“ rural development. This approach is based on the importance of the development of a community aided by local entrepreneurial initiatives and a clearly set goal to ensure a balanced technological development of rural regions. This balanced technological development of rural regions is meant to offer better employment opportunities and a higher quality of living. Namely, this approach allows for equal chances for the agricultural regions to develop as fast as urban regions.

Rural entrepreneurship – concept and definition

Rural entrepreneurship is a most recent research area the scientists deal with in the entrepreneurship study. In recent years it has gained in importance as the prevailing method of fostering rural development. Important as it is, rural entrepreneurship has, nevertheless, been clearly defined only recently. In this domain, however, there is no universal definition, nor a universal concept of rural development study. It is for this reason that we attempted to formulate our own definition of rural entrepreneurship that would be all-comprehensive both in its essence and in the aspects it covers. Accordingly, we define rural entrepreneurship as creating entrepreneur cooperatives that will ensure crucial economic, social and other changes in rural regions and improve these regions (Radović Marković, M. 2009). This also includes the promotion of rural entrepreneurship and its fostering by the state as well as devising a rural development policy based on investing into rural entrepreneurship. Besides, it is necessary that our attention be focused upon the causes of low profitability of agriculture in the developing countries and in many transition countries, Serbia included. A majority of these countries is characterised by obsolete technology, poor professional training of labour force in rural regions, etc. Hence rural entrepreneurship emerges in economically and socially backward regions, those with inadequate infrastructure, low level of education, unskilled work force and low incomes, where the level of local culture does not support entrepreneurship (Kulavczuk, 1998).

Since the rural development policy has to observe local, regional or national aspects and potentials, it is not possible to formulate the best model of rural entrepreneurship development that would have a universal meaning and implementation.

Rural entrepreneurship concept – old and new concepts

The earliest and the most important concept of entrepreneurial activity in the agricultural sector is the “*production*“, as it was basically most important to produce enough food to feed the members of the community. This concept remained a prevailing one in the fifties and the sixties of the past century. In time, however, it became evident that this production concept cannot be the only one; therefore it was broadened by

introducing the “*price concept*” into the agricultural development policy. Since the farmer himself had no real influence upon pricing on the level of the pricing policy², the farmers’ activities were limited to solely observing and data collecting. The farmers’ responsibilities were thus constrained and this concept was promptly replaced by another whose aim was to increase their responsibility. It was then that the concept of “*cost structure optimization in the organization*” was introduced. This concept, however, was not oriented towards the future business challenges, nor did it observe the changes in the external business environment. In the 1990s it was replaced by a new concept, based on the “rural entrepreneurs’ creativity and flexibility”. The core task of this concept was to new solutions to problems as well as new products. The trend was to develop small markets, be oriented to certain target groups and use new methods in solving problems.

Basic limitations in development of rural entrepreneurship in Serbia

The greatest limitation of entrepreneurship development in the agricultural sector is the lack of financial resources. There is always a risk for a peasant’s investment, especially if it is an investment in agricultural production because of its specifics (weather conditions, biologic potential of plants and animals, and finally the market of agricultural products). Most peasants avoid risky investments because they know that in the case of bankruptcy, they can lose, not only „enterprises”, but the business as a whole (Stamatovic and Vemic, 2009). For potential external private investors in rural environments, there are some limits which preclude faster capital flow in rural regions. In addition, the problems which agricultural sector in Serbia meets are mostly related to small volume and low quality of agricultural production, unsolved ownership transformation, inadequate possessed structures, undeveloped infrastructure etc. This complex situation of rural area is also burdened by depopulation, the problem demographic aging of population, low level of living standard, problems of social isolation and ecological problems.

There is also a limited potential in terms of education, scale, the strength and flexibility of the work force. Namely, agribusiness (small or medium) is very professional and focused on technology and require a certain level of education. The education structure of the rural population over 15 years of age is unfavourable. In the structure of the rural population over 15 years the majority (36.9%) has secondary schooling, 27% has completed only elementary school and 28% are illiterate or without any formal education. Only 7% of the rural population over 15 has attended college or 5.2% of the rural working population (CEEC AGRI POLICY, 2007).Uneducated workforce precludes investments into business and entrepreneurial activities.

The new technology and the internet should help lessen the gap between the urban and the rural areas. In other words, implementing IT tools and new models of

2 Gannon, A. and Petrin, T. (1997), FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS, FAO

delivery knowledge and obtaining specific training and community workshops should allow business ideas to be easier shared and stimulate business activities in rural areas.

In overcoming all these obstacles, there are actions to be taken by government, financial institutions and social enterprises. Social entrepreneurship overcomes the gap between the business and the public sectors, and support rural entrepreneurship development. These socially oriented enterprises have attempted to address social problems such as community development, offer educational opportunities and environmental protection, among others. Social entrepreneurs could contribute to sustainable agriculture through organic production of food products, cotton textiles, herbs, spices and more. In addition, community-based agriculture has also the potential for creating jobs, developing small business entrepreneurships. Social entrepreneurship can be outlined as the process of involving innovative use of resources to create a sustainable business (Radovic-Markovic, M., 2009). The role of social entrepreneurs is now recognized in developed countries as important, and it should be also vital for our future.

Fostering rural entrepreneurship development in Serbia

The role of agriculture in the Serbian economy is traditionally highly important. The agricultural land in Serbia covers an area of 5,092 hectares, 80.5 percent of which is owned by individual farmers (individual farms), whereas the rest is the ownership of organizations, cooperatives and the state. Approximately 70% of the territory of Serbia can be classed as a rural area inhabited by 43% of the total number of the country's population, which shows a high potential for the rural entrepreneurship development. Also, a large number of the population of Serbia is engaged in this sector. The employment rate in agriculture ranks among the highest in the EU (21% in 2008) and reflects an omnipresent high importance of agriculture in the national economy as well as a low level of diversification of economic activity in the rural areas of Serbia. The result of this is the lack of employment opportunities, which is in turn the cause of a growing poverty in the rural areas (the Plan of the rural development strategy of Serbia, 2009-2013).

The difference between the employment rates of women vs. men (15 – 64 of age) was reduced in the 2005 – 2009 period, however, it still remains rather big. In 2005 the employment rate for men amounted to 61.2%, whereas it was 40.8% for women, while in 2009 the employment rate for men fell to 58.7%, that of women increasing to 43.3%. This trend reflects an increasing number of women in the agricultural sector (40.2% in 2005 and 42.4% in 2009).

The agricultural output increased by 2.5% (2009) in comparison with 2008, despite the global economic crisis that had a negative impact upon Serbian economy as well. This supports the assumption that the Serbian agricultural sector is still an important sector of the national economy. Due to a hard period of transition Serbia is going through, however, a large number of farmers encountered a serious dilemma of how to sustain their regular production. A need also emerged for joining into cooperatives and forming farmers' associations, in order that all modern agricultural measures and technologies should be implemented to reduce production costs and overcome this

difficult period. There is also being created an increasingly favourable environment and support to the rural entrepreneurship development. These are further enhanced by numerous new laws that are already enacted. One is the Law on agriculture and rural development passed in May 2009. Simultaneously, the National agricultural programme for the 2009-2011 period was adopted. In addition to the Law on agriculture and rural development, the Serbian parliament adopted 14 important acts in 2009, submitted by the Ministry of Agriculture, Forestry and Water Management. New laws and reforms in agriculture are meant to improve the rural policy in Serbia and support an integral rural development. This new concept is to help achieve the following goals:

- Develop rural entrepreneurship;
- Professionall improve and train the rural areas population to start agribusiness;
- Increase profitability in agricultural production;
- Reduce the lagging of rural regions in comparison with the urban ones.

In the development of rural entrepreneurship in Serbia the following important guidelines are to be defined, an they are related to:

- ✓ Fostering the setting up of businesses, but also motivating entrepreneurs to continually improve them;
- ✓ Networking of entrepreneurs in order to define the areas that can bring highest profits, which should help business activities planning and orientation;
- ✓ Entrepreneurs should make decisions which will be in favour of both their own business and their environment;
- ✓ In creating entrepreneur activities entrepreneurs should pay attention to environmental protection,
- ✓ Provision of a better future for the rural households and reducing migrations of young people into cities;
- ✓ The state institutions are to appreciate the value of rural entrepreneurship and incorporate it into the economic strategy of the country development, as well as support its development. They are also to aid individual entrepreneurs transfer their activities from the informal into the formal sector of economy, thus contributing to their respective local communities by paying taxes. Special programmes should be devised to help and support women, young labour force, old persons and the self-employed. In this way their better social inclusion would be ensured.
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The orientation of the rural entrepreneurship development in the above-mentioned manner would bring major benefits not only to the local community but for the entire society in several of its domains, such as:

- **A larger number of entrepreneurs** – an increased number of new businesses;
- **More competent entrepreneurs** – entrepreneurs who have the knowledge and skills in the business they do;
- **Growth and expansion of businesses** – businesses boost production and sales,

as well as create new jobs thus absorbing local labour force;

- **Economic benefits for the local community** – by way of tax payments.

Conclusion

Creating small businesses in rural areas is of great importance for the restructuring and modernization of the rural regions/villages, for improving the living conditions, creation of new jobs and self-employment of labour force. This also includes creating the state policy whose programmes are to aid the development of entrepreneurship. An efficient concept of rural entrepreneurship has to focus upon the transformation of the local business culture and be adopted by the local rural population as their own choice of career. Such a transformation cannot be achieved only by implementing state programmes. These concepts should also be studied at schools, among young people who should acquire education in entrepreneurship while they are still very young. Absence of young, capable for work and educated farmers, infrastructural undevelopment can make impossible investments for rural entrepreneurship as one of preconditions for sustainable economic development in Serbia.

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