

The importance of rural entrepreneurship economics essay



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Under the recent economic downturns of many countries, specifically Member States of the European Union, in the light of a global rising trend in poverty levels and significant impact of widespread migration, within and out of the country, the importance of understanding the benefit of rural entrepreneurship as a valuable source of economic growth and employment (Rehman, 2008), have been put into the focus of many developing and developed countries.

The subject's value increases with the fact that rural entrepreneurs covering over ninety percent of the Europe's territory, populated by more than fifty percent of habitants and employing around seven percent of the total labor force (European Network for Rural Development, 2011), present underutilised source of economic development in general. Bosnia and Herzegovina as a developing and transition country faces similar but distinct obstacles in economic development, especially in rural areas, where employment opportunities are decreasing and a need for skillful labor is highly pronounced.

This highlights the need for identifying most prominent obstacles to rural entrepreneurship development and drafting a precise, comprehensive and successful rural entrepreneurship strategy to create sustainable development, to generate employment and spur innovation.

Rural entrepreneurship although similar to urban entrepreneurship, is characterized by particular obstacles to growth and mandates identifying those specific factors, thus developing solutions upon.

There are some similarities and disparities between rural regions of many countries, influenced by different main constraining factors that we will address and define the prominent impediments for Bosnia and Herzegovina rural entrepreneurship.

Without proper and sustainable rural entrepreneurship development, there are further difficulties for strengthening economic development.

Considering the fact that each country is shaped by the unique blend of resources, geography and human capital, scientific research is divided into two main streams, one flow of researchers focusing on agriculture as a foundation for rural entrepreneurship and a second stream, advocating successful non-farm rural activity for creating innovative and growth-oriented entrepreneurship. Some of those factors are found to be influential on rural entrepreneurship in Bosnia and Herzegovina and some are to be addressed. Policies and studies drafted by various Bosnian governmental or non governmental institutions, have listed binding factors to rural entrepreneurship, but they are missing the element of identifying to what extent those factors have influence on rural entrepreneurship success or failure, that is scientifically driven, what are the most important factors creators of economic policy need to work on and what are the best policy practices in successful countries that can be used in the case of Bosnia and Herzegovina.

Research questions we will strive to answer are:

Provide definition of rural entrepreneurship in Bosnia and Herzegovina

Analysis of the most influential binding factors, internal or external for rural entrepreneurship success in the context of obstacles in Bosnia and Herzegovina, using statistical and econometric analysis of the data collected through a survey of rural entrepreneurs

Identifying the most applicable solution (policy recommendation) for successful rural entrepreneurship

There has been made some efforts to support rural development in Bosnia and Herzegovina and policies have been drafted. Some of the efforts were successful to some extent and some failed to achieve the goals. None of the measures were supported by the real data analysis using scientific models. In this regard, the thesis presents very first attempt to materialize factors and methods, supported by the latest researchers in the field.

This thesis strives to explore and determine the real obstacles to the rural entrepreneurship, emphasizing economic ones, using up to date data from the relevant statistical databases, combined with the on-the-ground surveys and followed by the development of an appropriate econometric model. Using best practice cases and model results, we will suggest innovative solutions to BiH rural entrepreneurship obstacles.

In the first chapter, we will explore various definitions and approaches to rural entrepreneurship, depicting special nature or rural areas and its businesses and explain why rural entrepreneurship is important for proper economic development, particularly for transitional countries.

Second chapter gives broader BiH rural entrepreneurship background analysis, illustrating agribusiness, farming and rural tourism in Bosnia and Herzegovina.

Third chapter introduces readers to the factors which impede rural firm's success and play critical point in their development, framed with the different state and community approaches to policy development. It is extended to creating a conducive entrepreneurship environment.

Fourth chapter explores methodological framework, inferential statistics and econometric model used as a tool for factor analysis, creating a proper definition of rural entrepreneurship in BiH and policy recommendation. For this purpose, Rural Entrepreneurship Survey 2012 (RES2012) has been developed. RES2012 and relevant STATA outputs are enclosed in the Appendix.

Fifth part summarizes empirical findings and drafts conclusions and policy recommendations, appropriate for rural entrepreneurship success in Bosnia and Herzegovina.

Sixth and seventh parts are reserved for Reference list, Glossary and Appendix, respectively

1. Importance of Rural Entrepreneurship

Defining Rural Area, Rural Entrepreneurship and its features

Entrepreneurship and rural entrepreneurship have similar but distinct definition. While entrepreneurship is mainly seen as a force that creates <https://assignbuster.com/the-importance-of-rural-entrepreneurship-economics-essay/>

additional value to the society, generating a „ value out of nothing”

(Timmons, 1989), rural entrepreneurship has ample examples of different definitions, from many authors.

Common ground for entrepreneurship and rural entrepreneurship, which is important to notify, is the „ willingness and ability to innovate” (Drucker, 1985).

Rural entrepreneur as a crucial segment of the rural economy and entrepreneurship, is an individual who takes a risk, develops successful and innovative business ideas (Collaborative Economics, 2005), has a strong motivation for success and is oriented to growth.

Rural entrepreneurship is defined to be „ force that mobilizes other resources to meet unmet market demand”, „ the ability to create something from particular nothing”, „ the process of creating value by pulling together a unique package of resources to exploit an opportunity” (Jones and Sakong, 1980, Timmons, 1989, Stevenson, et al., 1985), or ability to generate new products, using new technology and market (Worthman, 1990).

Acknowledging the importance of rural entrepreneurship in job creation, quality of rural life improvement, and widening the scope of products supply to local markets, it is important to stress out that pure entrepreneurship creation is not enough, but presents one step in line to rural economic growth.

The Smallbone stresses that “ The OECD itself has developed a typology of urban and rural areas based on three criteria: population density; percentage of
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