



Vol. 1(2): 203-219 (2024)



Journal of Regenerative Economics

DOI 10.5937/jre2402203P

ENHANCING RURAL ENTREPRENEURSHIP IN SERBIA: THE ROLE OF SMALL AND MEDIUM ENTERPRISE DEVELOPMENT STRATEGY

Kristina Petrović

Faculty of Economics, University of Niš, Serbia

✉ kristina.petrovic.eknfak@gmail.com

Abstract: The development of rural entrepreneurship represents one of the significant factors for achieving sustainable economic growth in rural areas of the Republic of Serbia. The Strategy for the development of small and medium enterprises provides a framework for improving business conditions in rural areas through various support measures, including financial assistance, education, and infrastructure enhancement. Although rural areas face numerous challenges, such as reduced economic activity and a high rate of migration to urban centers, rural entrepreneurs can significantly contribute to mitigating these issues. Recommended measures, such as improving physical infrastructure and implementing a green agenda, could facilitate better integration of rural entrepreneurs into broader economic flows. However, current strategic documents fail to recognize the full potential of rural entrepreneurship, indicating a need for greater focus on this sector in order to fully utilize its opportunities for economic development and demographic stability in rural communities.

Keywords: Small and medium enterprises, rural entrepreneurship, development strategy, Republic of Serbia.

1. Introduction

Rural entrepreneurship represents a significant segment of economic development, contributing to employment, the preservation of local resources, and the improvement of quality of life in rural areas. In the Republic of Serbia, the development of this form of entrepreneurship has gained increasing importance, particularly in the context of enhancing the economic structure of rural areas and reducing migration from rural to urban centers. The Strategy for the Development of Small and Medium Enterprises, developed by the Government of the Republic of Serbia, aims to create an enabling environment for the establishment and growth

Original scientific paper

Received: 10.12.2024

Accepted: 27.12.2024

of enterprises in these areas, while also facilitating the sustainable development of local economic activities through various support measures.

The Strategy for the Development of Small and Medium Enterprises is a policy document that defines key measures and activities aimed at fostering entrepreneurship in the Republic of Serbia, including specific initiatives to enhance the position of rural areas within the entrepreneurial sector. This Strategy seeks to improve entrepreneurs' access to financial resources, provide adequate support in the form of education and mentorship, and streamline the legal and regulatory framework in which businesses operate.

This study examines the impact of the aforementioned Strategy on the promotion of rural entrepreneurship, with a particular focus on financial support programs, entrepreneurial education and training, and the development of the necessary business infrastructure in rural areas. By analyzing past achievements and identifying challenges, this research aims to highlight both the potential and the limitations of the Strategy in achieving long-term economic development goals in rural areas.

Rural entrepreneurship plays a crucial role in the economic and social development of rural regions, as it contributes to job creation, the economic empowerment of local communities, and demographic stability. In the Republic of Serbia, rural areas face numerous challenges, including reduced economic activity, a high rate of youth migration to urban centers, and limited infrastructure, all of which further emphasize the need to stimulate local entrepreneurship. In this context, the Strategy for the Development of Small and Medium Enterprises serves as a key instrument for creating a supportive environment for the establishment, growth, and expansion of enterprises in rural areas. This Strategy offers a range of measures and programs, including financial support, entrepreneurial education and training, and infrastructure improvements, with the ultimate goal of making rural areas more attractive for entrepreneurial activities.

2. The Concept of Rural Entrepreneurship

Rural entrepreneurship represents a specific type of economic activity that develops in rural areas and contributes to the sustainable development of local communities. The activities of rural entrepreneurship contribute to the economic empowerment of rural areas and help reduce migration to urban centers, preserve cultural and natural heritage, and improve the quality of life.

Rural entrepreneurship plays a role in the implementation of innovations, the preservation and development of communities, job creation, and the establishment of a balance between agriculture, land use, community, and economic development (Newbery et al., 2017). Rural entrepreneurship encompasses entrepreneurial activities conducted in rural environments, including production, processing, services, and craft activities that contribute to the improvement of the local economy. "...Rural entrepreneurship has emerged as a dynamic concept. It is generally defined as entrepreneurship occurring at the village level and can take

place in various sectors, such as entrepreneurship, industry, agriculture, and acts as a significant factor in economic development" (Das, 2014, p. 178).

Unlike urban entrepreneurship, rural entrepreneurship is often focused on the use of natural resources, agricultural production, and tourism. Unlike traditional economic forms, rural entrepreneurship requires special flexibility, strong connections with local communities, and adaptation to local conditions, making it a specific form of business activity with its unique characteristics. "...Rurality is defined as a territorially specific entrepreneurial environment that possesses unique physical, social, and economic characteristics. Entrepreneurial activity in rural areas is influenced by various factors, including location, natural resources and landscape, social capital, rural governance, business and social networks, as well as information and communication technologies. Rural entrepreneurship can be described as a process occurring in multiple stages, where specific territorial characteristics are significant for this development" (Stathopoulou et al., 2004, p. 406).

Entrepreneurship has become an active field of research in recent decades, but rural entrepreneurship remains neglected. Research has mainly focused on organizational characteristics, policy measures, and institutional frameworks, while the theoretical shaping of rural entrepreneurship remains underdeveloped. This indicates that the theoretical framework of rural entrepreneurship is still in its early stages, making it difficult to define its boundaries (Pato & Teixeira, 2016, p. 3). In the literature, rural entrepreneurship is often defined as an economic venture that utilizes local resources—land, natural resources, as well as human capital from rural areas—with the goal of improving the living standard and economic structure of those areas. Particularly significant is the fact that rural entrepreneurship can support the sustainable development of local communities by promoting social responsibility and ecology, while providing opportunities for the development of innovative business models tailored to the specific needs of rural populations. "...The development of entrepreneurship in rural areas is increasingly recognized as an alternative to traditional economic development because it enables local residents to create jobs and meet local needs and markets. Rural entrepreneurship represents a specific field with its unique opportunities and challenges and does not always follow the principles of traditional entrepreneurship" (Fortunato, 2014, p. 390).

Rural entrepreneurship significantly influences economic development on both national and local levels. Primarily, it enables the creation of new jobs in rural environments, which directly contributes to reducing unemployment and migration to larger cities. Additionally, the development of rural entrepreneurship promotes greater utilization of local resources and improves the economic structure of villages, which has long-term positive effects on the sustainability of these areas.

Within the research on rural entrepreneurship, it is essential to define the concept of the rural economy, which is characterized by specific success factors and challenges. Identifying these factors enables an understanding of how entrepreneurs in rural areas can achieve success while simultaneously recognizing the obstacles they face. Additionally, examining strategies that entrepreneurs can implement to overcome these obstacles can contribute to the development of

practical solutions. Understanding the attitudes and motivations of rural entrepreneurs, particularly in terms of environmental awareness, can further clarify their business decisions and approaches (McElwee & Atherton, 2021, p. 565). Researching the motivation and attitudes of rural entrepreneurs can contribute to the development of policies that encourage sustainable development in rural areas. Through the analysis of the economic and social impacts of rural entrepreneurship, opportunities for improving infrastructure and support can be identified, enabling entrepreneurs to more easily overcome challenges specific to rural areas and contribute to the long-term development of communities.

Rural entrepreneurs differ from other types of entrepreneurs. They utilize local resources to which they have access while simultaneously developing them, thereby contributing to the growth of the local economy. This synergy between the use and development of local resources creates new business and employment opportunities in rural areas, promoting overall economic progress in communities (del Olmo-García et al., 2023, p. 3). There are two ideal types of entrepreneurship in rural environments. The first type includes entrepreneurs who are not deeply rooted in the local community and operate based on mobility and profit-driven logic. In contrast, the second type relies on utilizing local resources. Although both types contribute to the development of the local environment, rural entrepreneurship has a greater potential for the optimal utilization of resources in rural areas, with such businesses being significantly less likely to relocate, even if economically justified (Korsgaard et al., 2015, p. 12). The advantages of rural entrepreneurship are reflected in its ability to generate lasting economic effects and stability within the community. While the first type of entrepreneur can respond more quickly to market changes, the second, community-oriented type ensures stability by investing in long-term development and resource preservation. This approach enhances the economic opportunities of rural areas and contributes to the creation of sustainable local economies that rely on local resources and employment, strengthening social cohesion and retaining the population in rural regions.

The impact of rural entrepreneurship is also reflected in improving the standard of living in rural areas through the enhancement of public services, infrastructure, and the overall quality of life. Successful rural entrepreneurs often invest in their communities, contributing to the development of education, healthcare services, and infrastructure. Ultimately, rural entrepreneurship plays a significant role in preserving cultural and natural resources, thereby maintaining heritage and sustaining the unique values present in rural areas.

The advantages of rural entrepreneurship include the following (Das, 2014, p. 180):

Providing employment opportunities: Rural entrepreneurship is labor-intensive and offers a clear solution to the growing problem of unemployment. The development of entrepreneurial initiatives in rural areas holds great potential for job creation and income generation.

Reducing rural population migration: Rural entrepreneurship can bridge significant income gaps between rural and urban populations, motivating people to remain in these areas.

Balanced regional development: Rural entrepreneurship can reduce the concentration of entrepreneurial activities in urban areas and promote regional development in a more balanced manner.

Promotion of artistic activities: The preservation of the rich cultural heritage of rural areas can be supported by protecting and promoting arts and handicrafts through rural entrepreneurship.

Reduction of social issues: The development of rural entrepreneurship can help mitigate social problems such as poverty, the expansion of impoverished settlements, and urban pollution.

Engaging the younger population: This type of entrepreneurship can raise awareness among young people in rural areas by exposing them to various opportunities and promoting entrepreneurship as a potential career path.

Improving the standard of living: Rural entrepreneurship can contribute to increasing literacy and education levels among rural population. Their education and self-employment can enhance community prosperity, thereby improving their overall standard of living.

3. The Position of Rural Entrepreneurship in the Republic of Serbia

Rural entrepreneurship contributes to the empowerment of local communities, the preservation of demographic structures, and the improvement of the quality of life in rural areas. The Republic of Serbia has significant potential for economic development through rural entrepreneurship but simultaneously faces numerous challenges that limit its growth and stability. "At least two significant reasons justify paying special attention to rural entrepreneurship. The first reason is theoretical, focusing on sociological and related analyses that examine the factors of rural development. In this context, the models of rural area development are considered, and the forces that drive and facilitate the progress of rural communities are defined. The second reason pertains to the practical aspect, which includes defining strategic measures and activities for improving the rural economy and its long-term sustainable development" (Čikić et al., 2011, p. 223).

In the Republic of Serbia, entrepreneurship aimed at rural development represents a crucial segment of economic growth, without which other development factors would remain ineffective. However, entrepreneurship alone is not sufficient; a stimulating environment is also necessary, which depends on policies focused on supporting rural entrepreneurship. Successful strategies can significantly contribute to economic development and the retention of the population in rural areas (Gajić, 2014, p. 11).

Rural entrepreneurship in the Republic of Serbia plays an important role in employment, economic empowerment, and social stabilization of rural areas. The development of this form of entrepreneurship allows local communities to generate additional income, thereby improving their living standards and encouraging the population to remain in rural environments.

The aspect of retaining the population in rural areas is of utmost importance for the Republic of Serbia, which faces significant challenges related to migration from rural to urban environments. Additionally, rural entrepreneurship can play a significant role in preserving cultural heritage and traditions, enriching the social structure of communities, and promoting local identity.

The economic significance of rural entrepreneurship in the Republic of Serbia is based on principles that imply a close connection between entrepreneurial activity and the specific characteristics of a given rural environment. This type of entrepreneurship utilizes natural, human, cultural, and historical resources as unique factors in developing market offerings, creating added value that benefits the entrepreneur while also fostering local economic development (Josipović, 2019, p. 75).

Rural entrepreneurship contributes to the development of agribusiness, craftsmanship, and ecotourism. By leveraging local resources and human capital, entrepreneurs in rural areas can establish stable sources of income and create new employment opportunities. In the Republic of Serbia, rural entrepreneurship often relies on food production, sustainable agriculture, and tourism services, which, given the growing global demand for environmentally friendly products, presents a significant opportunity for development.

Although rural entrepreneurship has great growth potential, in the Republic of Serbia, it encounters numerous obstacles that limit its competitiveness and sustainability. "Rural entrepreneurs face various challenges daily, which may vary depending on the industry, market conditions, and other factors. Understanding their impact on business operations is crucial for developing strategies to overcome obstacles and foster sustainable growth" (Das, 2014, p. 180).

One of the fundamental problems is the poor infrastructural equipment of rural areas, which includes inadequate road networks, weak energy supply, and the lack of access to modern information and communication technology. These limitations make doing business in rural areas difficult and costly, often rendering it unprofitable. "...The development of infrastructure in rural areas, including communication networks and services, serves as a foundation for their economic progress. By providing more services and encouraging various forms of business associations, such as cooperatives, favorable conditions are created for new business opportunities. The rise of remote work and the growing interest in rural living open new niches, particularly attractive to young and highly educated individuals. The experience and resources of older entrepreneurs can also significantly contribute to identifying market opportunities in these areas" (del Olmo-García et al., 2023, p. 12).

Financial constraints represent a significant obstacle to the development of rural entrepreneurship. Entrepreneurs in rural areas often face difficulties in accessing financial resources and loans, which limits their ability to invest in modern technologies and improve production capacities. Additionally, the absence of adequate support in the form of subsidies and financial incentives makes them vulnerable to economic changes and reduces their competitiveness in the market.

The lack of educational and training programs tailored to the needs of rural entrepreneurs is another important factor that slows their development. Education and training in management, marketing, and the application of new technologies are essential for rural entrepreneurs to improve their business operations and expand the market for their products and services. However, access to such programs in rural areas is limited, restricting entrepreneurs' capacities and diminishing their ability to adapt to modern market demands.

Despite these challenges, rural entrepreneurship in the Republic of Serbia has great potential for development. One of its greatest advantages is the growing demand for organic and locally produced goods, presenting an opportunity for rural entrepreneurs to position themselves in the market with high-quality products. Additionally, the development of ecotourism and cultural tourism can be a significant source of income for rural communities, which possess natural and cultural resources suitable for these types of tourism.

To support the development of rural entrepreneurship, it is recommended that the government establish a special financial fund to assist rural entrepreneurs, and that the competent ministry provides the necessary infrastructural benefits. Furthermore, organizing specialized training programs for rural entrepreneurship can significantly contribute to strengthening the competencies of local entrepreneurs. It is also important to reward the most successful rural entrepreneurs to encourage their active participation in local economic development. Moreover, rural entrepreneurs should strive for greater competitiveness and efficiency in both local and international markets. In this regard, inviting successful rural entrepreneurs from other countries can bring new knowledge and experiences that will contribute to the advancement of rural entrepreneurship (Das, 2014, p. 182). Government and international organization support may be crucial in improving the status of rural entrepreneurship. Various support programs and subsidies can facilitate access to financial resources for rural entrepreneurs, while adequate education and professional assistance can enhance their competitiveness.

4. Strategic Framework for the SME and Rural Entrepreneurship Development in the Republic of Serbia

Given the economic and social challenges facing the Republic of Serbia, particularly in rural areas, the development of rural entrepreneurship should be one of the key priorities of state policy in the coming period. The strategic framework for the development of rural entrepreneurship should represent a comprehensive plan aimed at ensuring conditions for sustainable development through support for small and medium-sized enterprises, infrastructure improvement, and the creation of a favorable business environment for entrepreneurs in rural areas. The Strategy for the Development of Small and Medium-Sized Enterprises for the period 2023-2027 lays the foundation for improving the position of entrepreneurs in the business sector and encouraging their active participation in the economy. This framework is based on an analysis of the existing challenges and needs of entrepreneurs, as well as alignment with international standards and best practices in this field.

Unfortunately, the mentioned Strategy does not place significant focus specifically on rural entrepreneurship but does foresee measures that can be directed toward this type of entrepreneurship. The following sections will present measures specifically related to rural entrepreneurship, as well as general measures that can serve as a framework for its implementation.

The Strategy for the Development of Small and Medium-Sized Enterprises aims at creating an innovative, competitive, and sustainable sector resilient to external challenges. The vision of the Strategy involves building an SME sector that follows the principles of the green economy, efficiently utilizes resources and finances, and relies on innovation and digitalization to remain competitive in both domestic and global markets. The general objective is for the SME sector to become a driver of sustainable economic, social, and inclusive development in the Republic of Serbia through support for dynamic and resilient economic growth (Government of the Republic of Serbia, 2023).

Measure 1.2, within Specific Goal I, which refers to the "improvement of small and medium-sized enterprises' access to key infrastructure," has significant implications for the development of rural entrepreneurship in the Republic of Serbia. Since many rural areas have limited access to essential infrastructure, such as roads, energy networks, and the internet, this measure provides opportunities for rural entrepreneurs to integrate more effectively into economic flows and utilize local resources to improve their businesses.

Increasing funds for infrastructure support and tailored programs in the least developed local government units creates more favorable conditions for rural entrepreneurship, enabling easier access to markets and greater economic activity. Additionally, this measure facilitates the development of businesses in rural areas that rely on local resources, contributing to the diversification of the local economy and the creation of new jobs, thus giving rural areas greater importance in the overall economic development of the country.

Measure 2.2, which supports small and medium-sized enterprises in implementing a green agenda in their operations, opens up significant opportunities for rural entrepreneurship in the Republic of Serbia to shift toward sustainable and environmentally conscious business practices. The green agenda represents a strategy and action plan aimed at achieving sustainable development through environmental protection, reducing gas emissions, and promoting renewable energy sources. This Measure 2.2 includes financial and advisory support that can help rural businesses adopt renewable energy sources, improve energy efficiency, and develop services and products that attract environmentally conscious tourists.

The implementation of this measure in rural tourism can significantly contribute to the preservation of natural resources and promote the circular economy in tourist facilities and rural destinations. The transition to green business practices in rural areas allows entrepreneurs to reduce costs through energy efficiency while positioning themselves as environmentally responsible, which increasingly attracts both domestic and foreign tourists. In this way, rural tourism in the Republic of Serbia will be able to meet ecological standards while responding to the global

market demand for sustainable business practices, thereby stimulating long-term local economic growth and environmental protection.

Measure 3.1, within the special objective III (Competitive SME sector – Strengthened competitiveness of SMEs in domestic and foreign markets), which supports the strengthening of human capital management capacities in small and medium-sized enterprises, provides significant opportunities for rural entrepreneurship, especially in the context of retaining personnel. In rural areas, entrepreneurs often face the challenge of workforce outflow, particularly young people, toward urban areas or abroad. This measure offers support to rural enterprises in attracting and retaining employees through educational and training activities, as well as participation in dual education, which will improve the local qualification level and create career opportunities in rural areas.

The informational and educational aspects of this measure, along with a commitment to improving employees' skills and knowledge, contribute to the development of a more stable and competitive entrepreneurial ecosystem in rural areas. This can encourage the workforce to remain in these regions, where they are provided with opportunities for professional advancement and career growth. By integrating small and medium-sized enterprises into the dual education model and actively working on the development and retention of a skilled workforce, rural entrepreneurs can retain existing employees and motivate young people to stay in local communities, contributing to their economic development.

The Strategy for the Development of Small and Medium-Sized Enterprises for the period 2023–2027 provides fundamental guidelines for supporting rural entrepreneurs, although it does not place sufficient focus on this sector. Nevertheless, the proposed measures, such as improving access to infrastructure and implementing the Green Agenda, represent important steps toward enhancing business conditions in rural areas. Improving physical infrastructure, such as roads, will significantly facilitate the integration of rural entrepreneurs into broader economic flows and enable them to use local resources more efficiently.

The implementation of the measures outlined in the Strategy can help improve the position of rural entrepreneurship and stimulate broader economic changes. Creating an environment in which rural entrepreneurs can successfully operate requires continuous support and engagement from all stakeholders, including the government, local administrations, and entrepreneurs. This approach ensures stable and sustainable development of rural entrepreneurship in the Republic of Serbia, which is crucial for all aspects of social and economic life in rural areas.

The Agricultural and Rural Development Strategy of the Republic of Serbia for the period 2014–2024 includes Priority Area 12, which focuses on "improving the social structure and strengthening social capital." Within this priority, Operational Goal 12.9 aims to promote entrepreneurship among women and youth in rural areas, with the goal of improving the economic situation and supporting the development of entrepreneurial initiatives in these regions.

The development of rural areas in the Republic of Serbia, as indicated by the results of the SWOT analysis within the Strategy, largely depends on strengthening

the social structure and promoting entrepreneurship. Although rural areas possess natural resources and cultural heritage, they face challenges related to negative demographic trends, leading to economic stagnation and poverty. Current economic activity, primarily focused on the exploitation of natural resources, limits opportunities for the development of quality jobs and additional income generation. Increasing the attractiveness of rural areas as places for young families to live is essential. This involves improving physical infrastructure and social services, which are directly linked to support for rural entrepreneurship development. Enhancing entrepreneurial conditions would attract new investors and provide local populations with employment and self-employment opportunities (Government of the Republic of Serbia, 2014).

Disregard for the specific needs of rural communities, as well as the lack of coordinated activities among various stakeholders, can contribute to deepening the development gap between rural and urban areas. It is crucial to support entrepreneurship in rural areas through the availability of IPARD funds and strengthening social capital. Establishing an efficient system for the transfer of knowledge, technologies, and information, as well as innovative use of the potential of cultural heritage and biodiversity, represents significant development opportunities for the rural economy and contributes to its sustainable development.

“Specifically, economic development strategies in rural areas can be better focused on entrepreneurs who are starting and growing businesses, rather than attracting large firms. Employment growth can come from two sources: through the expansion of existing businesses and the creation of new businesses” (Deller et al., 2019, p. 30). It is unclear why the Agricultural and Rural Development Strategy of the Republic of Serbia for the period 2014-2024 did not include any component focused solely on the development of rural entrepreneurship, which represents a significant flaw in recognizing the potential that rural areas offer.

Rural entrepreneurship can be a key driver of economic growth, employment, and social stability in these areas, but without a specific focus and strategy, it remains underutilized. This lack indicates an inadequate understanding of the importance of fostering local initiatives and innovations, as well as a missed opportunity in leveraging the potential arising from the wealth of natural resources, cultural heritage, and entrepreneurial spirit in rural environments. Including rural entrepreneurship in the Strategy would significantly contribute to sustainable development and improve the quality of life in these communities.

Development Strategy through the Perspective of Rural Entrepreneurship Small and Medium-Sized Enterprise Development Strategy in the Republic of Serbia aims to enable a stable and sustainable environment for entrepreneurs through the improvement of various aspects and the application of measures. The Action Plan for the implementation of the Strategy is an operational tool that defines specific steps, activities, and resources for achieving these goals.

The Action Plan, viewed through the perspective of rural entrepreneurship, aims to create favorable conditions for the development of entrepreneurial activity in rural areas. The main objectives include promoting employment, preventing migration from rural to urban areas, and increasing economic activity in rural regions.

The Action Plan, through Measure 1.1, which relates to "improving the overall legal, administrative, and tax framework for starting and developing businesses and 'second chance' for SMEs," foresees a range of activities, some of which can be linked to rural entrepreneurship. The Law on Stimulating Entrepreneurship Development (1.1.1) represents a fundamental step in creating a legal and economic framework that encourages entrepreneurship in rural areas.

This law can attract new investors and enable existing businesses to grow, thereby reducing unemployment and increasing the employment opportunities for the local population. Additionally, creating a more favorable business environment affects the retention of the workforce in rural areas. As part of the amendments to the Law on Financial Support for Families with Children (1.1.2), the focus is on improving the position of women entrepreneurs, which is particularly important for rural areas. Supporting women in entrepreneurship encourages them to establish and lead businesses in their communities, reducing migration and contributing to local economic development. This approach also creates additional support for local families, positively impacting the social structure.

The analysis and monitoring of the improvement of the position of female entrepreneurs (1.1.3) is an activity that can be directed towards identifying the specific challenges they face in rural areas. Through analysis and monitoring, the needs for business development support can be determined, contributing to the creation of programs that promote the retention and development of human resources in rural communities.

Furthermore, preparing recommendations for including cooperatives in SME support programs (1.1.8) represents an important step toward the development of rural entrepreneurship. Cooperatives can play a key role in creating platforms for cooperation and supporting local businesses. By including cooperatives in support programs, new opportunities for employment and staff retention are created, which is crucial for the economic recovery of rural areas.

All these activities, if implemented effectively, can significantly contribute to the development of rural entrepreneurship. Improving the legal framework, supporting women entrepreneurship, and including cooperatives are essential elements in creating a favorable environment for entrepreneurs in rural regions. Measure 1.2, which relates to improving SMEs' access to key infrastructure, represents an important step toward the development of small and medium-sized enterprises in rural areas. Key infrastructure, including transportation, public services, and digital infrastructure, plays a role in facilitating business operations and stimulating entrepreneurship in rural regions.

Improving access to infrastructure can directly influence the growth and development of rural entrepreneurship. When businesses in these areas have easier access to basic services such as roads, electricity, and internet, their ability to provide products and services is significantly enhanced. Furthermore, quality infrastructure stimulates the local economy, creates new jobs, and reduces the migration of young people. Through the action plan, it is planned to allocate a significant amount of funds for the development of business infrastructure, with an initial value of 826,657,000 dinars in 2022, aiming to reach 4,000,000,000 dinars by 2027.

Although the action plan represents a comprehensive approach to entrepreneurship development, its implementation faces certain challenges. One of the key challenges is the administrative complexity and inefficiency of the support system. Entrepreneurs in rural areas often have difficulty becoming familiar with all available measures and subsidies, which makes their utilization difficult. Improving administrative transparency and simplifying the application process for support are crucial steps to overcome this challenge.

Another significant challenge is the limited market in rural areas, which restricts opportunities for the growth and development of rural businesses. The local market often lacks sufficient demand for products and services, which makes it necessary to develop mechanisms for accessing broader markets. This could include support for exports or the development of cooperation with urban areas.

Additionally, the migration of young and working-age populations to cities presents a long-term challenge for the sustainability of rural entrepreneurship. If rural communities fail to retain young and educated people, there is a risk of reduced potential for entrepreneurial development. Providing attractive conditions for doing business and developing careers in rural areas, as well as supporting the employment of young people, should be priorities within the action plan.

By implementing the action plan for the development of small and medium-sized enterprises, through the perspective of rural entrepreneurship, a mild positive impact is expected on the economic and social development of rural areas in the Republic of Serbia. Increasing the number of entrepreneurial initiatives in rural communities would contribute to the growth of employment and overall income, improving the quality of life in these areas. Moreover, these measures would contribute to reducing economic disparities between urban and rural areas, thus striving for a more equitable and sustainable economic development of the Republic of Serbia.

5. Opportunities and Challenges for the Development of Rural Entrepreneurship in the Republic of Serbia

Rural entrepreneurs significantly reduce the financial dependency of rural population by providing a sustainable solution for economic stability and long-term financial support for entire families (Yu & Artz, 2019, p. 650). In the context of economic migration and the outflow of people from rural to urban areas, encouraging the development of local businesses enables employment and reduces dependence on large urban centers. Rural entrepreneurship is primarily associated with agriculture, food production, and services utilizing local resources. By fostering rural entrepreneurship, local communities can establish a stable income source, contribute to economic growth, and retain population in rural areas.

The Republic of Serbia has approximately 4,200 villages, and according to the latest available data, more than half of them are facing the consequences of demographic depopulation and an aging population (Republic Statistical Office, 2024). A large number of young people are leaving rural areas in search of better opportunities in cities, further accelerating the depopulation process. Along with

increasing poverty, limited infrastructure, and underdeveloped economies in these regions, these conditions make the development of rural entrepreneurship crucial for improving the quality of life in rural communities and promoting sustainable development.

Rural areas in Serbia are rich in diverse resources, ranging from natural and agricultural resources to cultural heritage and traditions. Investing in agricultural production facilities, as well as in crafts relying on traditional methods and local resources, can significantly contribute to the creation of new jobs and income generation in rural environments. At the same time, the rich biodiversity provides opportunities for tourism development, particularly in the form of sustainable tourism models that promote the preservation of natural resources and provide new income sources for local populations.

The development of rural entrepreneurship in Serbia offers broad opportunities for economic advancement, strengthening local communities, and preserving cultural heritage. Organic production, encompassing the cultivation of fruits, vegetables, meat, and dairy products, has great potential due to the growing demand for healthy food, both domestically and internationally. Furthermore, value-added products such as juices, jams, and cheeses could increase the profitability of small rural businesses and open new export opportunities. Similarly, the production of medicinal herbs and natural cosmetics offers a chance for innovative products that are becoming increasingly popular in the market for natural cosmetics and medicinal products.

Ethno and cultural tourism, based on the promotion of traditional crafts and ethno villages, also holds a significant potential. Visitors seeking authentic experiences are often interested in the customs and culture of local communities, which can contribute to the development of small family businesses offering accommodation, workshops, and souvenirs. Additionally, ecotourism and active tourism in rural areas, such as hiking and cycling, can enrich the tourist offer and further enhance the attractiveness of rural regions.

Livestock farming, with a particular emphasis on indigenous breeds, can offer high-quality products in demand on the market and serve as a basis for the development of specialized family farms. At the same time, beekeeping and honey production provide stable opportunities for rural households, given the favorable conditions for beekeeping and the high demand for honey and other bee products, such as propolis.

The production of artisanal alcohol, particularly brandy and wine with geographical origin, considering Serbia's long tradition in this field, represents an additional source of income and a potential for attracting tourists interested in authentic local products. The development of these and other activities can contribute to the creation of quality jobs in rural areas, improving the quality of life, and preserving the population, which is essential for the long-term sustainability of Serbian villages.

For the development of rural entrepreneurship, it is important to focus on the production of finished products, rather than just the sale of raw materials and semi-

finished products. Products with higher processing levels, such as organic milk cheeses, artisanal alcohol with protected geographical indications, natural cosmetics, and processed fruit products like jams and juices, enable higher market prices and the creation of recognizable brands that are more competitive.

The prospects for the development of rural entrepreneurship in Serbia are significant but require a comprehensive approach that will recognize and adequately utilize local resources. Support in the form of subsidies and educational programs, along with investments in physical infrastructure and market connections, can enable rural entrepreneurs to be more economically competitive. The development of rural entrepreneurship is an economic and social process that can ensure a sustainable future for rural areas. Such an approach provides an opportunity to change the development paradigm, where rural communities will no longer just be a source of agricultural products but dynamic and sustainable communities capable of independent economic growth and development.

The development of rural entrepreneurship in the Republic of Serbia faces numerous constraints that slow progress and limit the potential of entrepreneurs. Financial accessibility is one of the most significant limitations to rural entrepreneurship development. Small and medium-sized enterprises often face difficulties in accessing financial resources. Banks and other financial institutions frequently perceive rural businesses as high-risk, limiting their ability to secure the necessary funds to start or expand their operations. This situation prevents entrepreneurs in rural areas from investing in innovations, new technologies, and marketing, placing them at a disadvantage compared to competitors from urban environments.

In addition to financial challenges, the lack of developed infrastructure presents a significant barrier to development. Poor road networks, limited access to utility services, and insufficient digital infrastructure make rural areas less attractive for investment. Roads leading to rural businesses are often in poor condition, which hinders the transportation of products and reduces business competitiveness. Digital infrastructure is also underdeveloped, limiting opportunities for e-commerce and modern marketing strategies. These limitations slow business development and demotivate potential investors and entrepreneurs when starting operations in rural areas.

The absence of adequate education and training programs for entrepreneurs in rural areas represents another limitation, and there is often a lack of knowledge about modern business practices, management, and marketing. The lack of entrepreneurial skills and knowledge on how to successfully manage a business can lead to the failure of new initiatives.

Moreover, the education system in the Republic of Serbia often fails to provide the necessary support for the development of entrepreneurial skills, with the existing programs being more focused on theory than on practical application. This creates a gap between theoretical knowledge and the practical skills required for successful entrepreneurship development.

Appropriate measures need to be taken, including improving financial accessibility, developing infrastructure and educational programs, and providing education on modern business systems. Removing these barriers could lead to significant improvements in rural entrepreneurship and contribute to the economic development and social stability of rural areas in the Republic of Serbia.

6. Conclusion

The development of rural entrepreneurship represents one of the key factors in creating a sustainable economic environment in the rural areas of the Republic of Serbia. In the context of the Strategy for the Development of Small and Medium Enterprises, the importance of rural entrepreneurship lies in its potential to stimulate employment, enhance the local economy, and reduce migration from rural to urban areas. The Strategy, through various measures of financial support, education, and infrastructure development, provides the necessary support to entrepreneurs and local communities, thus contributing to the creation of a more favorable business environment.

Given the complexity of rural entrepreneurship, it is essential to further explore the motivation and attitudes of rural entrepreneurs and to encourage policies that will contribute to the development of this sector. By supporting rural entrepreneurship, the Republic of Serbia can enhance local economies, preserve demographic stability, and improve the quality of life in rural communities.

An analysis of the Strategy for the Development of Small and Medium Enterprises for the period 2023-2027 highlights the importance of providing support to entrepreneurs, although the Strategy does not sufficiently emphasize the significance of rural entrepreneurship specifically. The proposed measures, such as improving infrastructure and implementing a green agenda, represent crucial steps in enhancing the business conditions in rural areas. Improving physical infrastructure, such as roads, will facilitate the integration of rural entrepreneurs into economic flows, enabling more efficient use of local resources.

In the context of the Agricultural and Rural Development Strategy, rural entrepreneurship is mentioned only in relation to entrepreneurship among women and youth in rural areas. While rural areas have natural resources and cultural heritage, they face demographic challenges and economic underdevelopment, which makes it necessary to attract new investors and stimulate the local economy by improving conditions for entrepreneurship.

The lack of focus on rural entrepreneurship in current strategies indicates a significant oversight in recognizing the potential that these areas offer. Rural entrepreneurship could become a major factor in economic growth, but without adequate support, it remains underutilized. Including rural entrepreneurship in development strategies would significantly contribute to sustainable development and improved quality of life in rural communities.

Entrepreneurial training programs must be carefully designed to address the current knowledge and skills required in areas such as e-commerce and marketing.

The training should be tailored to the real needs of participants, avoiding content related to activities for which entrepreneurs lack adequate technical infrastructure or basic knowledge. Instead, the focus should be on developing competencies that will enable entrepreneurs to successfully use available tools and platforms, as well as encouraging innovation in line with market trends. With this approach, the training will not only be relevant but also useful, ensuring a higher likelihood of success in the competitive e-commerce environment.

Considering all the perspectives and challenges faced by rural entrepreneurship, it can be concluded that without an appropriate strategic framework, it is not possible to fully implement activities that promote this type of entrepreneurship. A strategic approach is key to identifying the specific needs, resources, and potential crucial for the development of rural entrepreneurship. Only by directing efforts towards creating an integrated and coordinated support system can sustainable progress and economic growth in rural areas be ensured, thereby contributing to the development of local communities and the overall economic stability of the region.

References

- Čikić, J., Petrović, M., & Petrović, Ž. (2011). Women in the Village and the Development of Entrepreneurship. *Economics of Agriculture*, 58(1), 223-230.
- Das, D. C. (2014). Prospects and challenges of rural entrepreneurship development in NER-A study. *International Journal of Humanities and Social Science Studies*, 1(3), 178-182.
- Del Olmo-García, F., Domínguez-Fabián, I., Crecente-Romero, F. J., & del Val-Núñez, M. T. (2023). Determinant factors for the development of rural entrepreneurship. *Technological Forecasting and Social Change*, 191, 122487.
- Deller, S., Kures, M., & Conroy, T. (2019). Rural entrepreneurship and migration. *Journal of rural studies*, 66, 30-42.
- Fortunato, M. W. P. (2014). Supporting rural entrepreneurship: A review of conceptual developments from research to practice. *Community development*, 45(4), 387-408.
- Gajić, A. (2014). Entrepreneurship as an Economic Force in the Development of Rural Areas in Serbia. *Trends in Business*, 2(1), 9-14.
- Government of the Republic of Serbia. (2014). *Agriculture and Rural Development Strategy of the Republic of Serbia for the period 2014-2024: 85/14*.
- Government of the Republic of Serbia. (2023). *Strategy for the Development of Small and Medium Enterprises for the period 2023-2027, with the Action Plan for the period 2023-2024: 97/2023-4*.
- Josipović, S. (2019). Potentials and Challenges of Rural Area Development in Serbia. *Economic Perspectives*, 24(1-2), 59-78.
- Korsgaard, S., Müller, S., & Tanvig, H. W. (2015). Rural entrepreneurship or entrepreneurship in the rural-between place and space. *International Journal of Entrepreneurial Behavior & Research*, 21(1), 5-26.
- McElwee, G., & Atherton, A. (2021). Rural entrepreneurship. In *World encyclopedia of entrepreneurship* (pp. 563-570). Edward Elgar Publishing.

- Newbery, R., Siwale, J., & Henley, A. (2017). Rural entrepreneurship theory in the developing and developed world. *The International Journal of Entrepreneurship and Innovation*, 18(1), 3-4.
- Pato, M. L., & Teixeira, A. A. (2016). Twenty years of rural entrepreneurship: A bibliometric survey. *Sociologia ruralis*, 56(1), 3-28.
- Stathopoulou, S., Psaltopoulos, D., & Skuras, D. (2004). Rural entrepreneurship in Europe: a research framework and agenda. *International Journal of Entrepreneurial Behavior & Research*, 10(6), 404-425.
- Republic of Serbia - Republic Statistical Institute (2024). *Statistical Yearbook*.
- Yu, L., & Artz, G. M. (2019). Does rural entrepreneurship pay?. *Small Business Economics*, 53, 647-668.

PODSTICANJE RURALNOG PREDUZETNIŠTVA U SRBIJI: ULOGA STRATEGIJE RAZVOJA MALIH I SREDNJIH PREDUZEĆA

Apstrakt: Razvoj ruralnog preduzetništva predstavlja jedan od značajnih faktora za ostvarivanje održivog ekonomskog rasta u ruralnim područjima Republike Srbije. Strategija za razvoj malih i srednjih preduzeća pruža okvir za unapređenje poslovnih uslova u ruralnim oblastima kroz različite mere podrške, uključujući finansijsku pomoć, edukaciju i unapređenje infrastrukture. Iako se suočavaju sa brojnim izazovima, kao što su smanjena ekonomska aktivnost i visoka stopa migracije ka urbanim sredinama, ruralni preduzetnici mogu značajno da utiču na smanjenje tih problema. Preporučene mere, kao što su poboljšanje fizičke infrastrukture i implementacija zelene agende, mogu da doprinesu boljoj integraciji ruralnih preduzetnika u šire ekonomske tokove. Ipak, trenutna strateška dokumenta ne prepoznaju potpuni potencijal ruralnog preduzetništva, što ukazuje na potrebu za većim fokusom na ovu oblast, kako bi se iskoristile sve mogućnosti za ekonomski razvoj i demografsku stabilnost ruralnih zajednica.

Cljučne reči: Mala i srednja preduzeća, ruralno preduzetništvo, strategija razvoja, Republika Srbija.