



## The entrepreneurship in agro-complex in Republic of Macedonia

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### Abstract

The entrepreneurship has a great role and significance in the development of the agricultural production. Besides the labour and the capital, entrepreneurship represents the fourth factor of production. The development of the agro- entrepreneurship in R. Macedonia is enabled with the occurrence of the private properties and existence of certain legal regulative. R. Macedonia has set solid ground for development of agro-entrepreneurship, but all of them need to be upgraded and complemented in accordance with the newfound management conditions. The results of the questionnaire indicate that the agricultural producers still consider that current state support regarding the development of entrepreneurship is insufficient and needs to be increased.

In the research of agricultural entrepreneurship, firstly we begin with the legal and other prerequisites provided by the state and the measures taken for enhanced development. The aim of the paper is to understand the development of agro-entrepreneurship in Pelagonia and to obtain a clear aspect of their opinions, attitudes, views and criteria, based on the conducted survey and assessing the development and perspective of the agro-entrepreneurship, with some perceptions about their further perspectives. The questionnaires consist of 21 questions with alternative answers, and the results are presented at the end of the paper.

**Keywords:** agro-entrepreneurship, development in R. Macedonia, acceptance and opinions of agro-producers.



## **Introduction**

The centerpiece of the research in the paper is given to the agricultural entrepreneurship, its role and importance for the development of agriculture, as well as the role of the state in terms of support for the taking over and implementation of certain legal and other regulations that enable the undertaking of entrepreneurial activities, especially in the part the adoption of a particular investment policy, the provision of financial resources, etc.

Agricultural entrepreneurship is characteristic of people dealing with agriculture and it consists of: innovation, creativity, initiation of new solutions, acceptance of risk, treatment of difficulties as to challenges, energies and enthusiasm in introducing projects in their entire course until completion, turning more to the results than to the process itself by which they are achieved, etc.

By proclaiming independence, with the adoption of the Constitution of the Republic of Macedonia on November 17, 1991, the issue of entrepreneurship is regulated. Article 55 of the Constitution of the Republic of Macedonia stipulates that "freedom is guaranteed on the entrepreneurship market". Entrepreneurship is defined as a constitutional category that is guaranteed and protected by the state and thus has a special place role and importance in our economic system.

Only an enterprising oriented state can provide incentives for the massive appearance of entrepreneurial ideas and abilities among private farmers, which imposes the need for continuous improvement and changing of the state institutions themselves and introduction of innovations and competition in the work. The influence of the state through the measures of the macroeconomic, monetary and credit policy and agrarian policy, have great significance. In that sense, the creation of a national policy for encouraging and strengthening entrepreneurship, institutional support through providing various assistance, information and services to farmers through various forms of bodies, chambers of

commerce, banks, training institutions, consulting services, business centers, quality development production, and so on.

Based on this research and survey of agro entrepreneurs from the Bitola's part of Pelagonia should be adopted and get clear picture of their opinions, attitudes, views and criteria, based on the conducted survey to summarize the results and give an assessment of the development of the perspective of agro-entrepreneurship among farmers with certain perceptions of their future perspectives.

During the research in the paper is used the survey method. On this basis, a complete collection of the data planned in the survey was carried out. Out of the total number of individual agricultural households in Pelagonia, which amount is 7,672, farmers are surveyed with the size of the farm over 3 ha. The total number of farmers is about 1,150, and the survey was 15% and 150 farmers.

## **Development of the agro-entrepreneurship in the Republic of Macedonia**

Agro-entrepreneurship in the Republic of Macedonia appears relatively late. This is the reason why this issue is not sufficiently researched, which is due primarily to the existence of certain limitations in the past in the disposal of land capacities, as well as the process of socializing the private producers through the socialist transformation of farmers where the greatest importance was given to the organization of agriculture on collective grounds.

The success of agro-entrepreneurship in agriculture is tied with certain social support, appropriate education and training, appropriate organization of work, etc. In the pre-transition period entrepreneurship was not developed. Namely, its existence required a developed market economy and private ownership. With the process of transition in the Republic of Macedonia, there were major changes that are manifested by the change of the socio-economic system and the construction of a new market



system. This created institutional preconditions for restructuring the economy, which was a precondition for agro-entrepreneur behavior of market entities.

In such modified conditions, the development of agro-entrepreneurship is perceived through several changes. By registering a number of private companies, the entrepreneurial function is carried out by the founders themselves on the farms. Through their creative power, initiative, knowledge and ability, they organize the entire work in that farm. Profits are theirs, but the risk of working it belongs to them.

Major farms set up their own directors' managers. Thanks to certain agro-entrepreneurial activities, today, many private farmers are present in the Republic of Macedonia. The developed market economy requires a lot of experience and knowledge from them, as well as willingness to taking a risk. Within agriculture, entrepreneurship is beginning to develop by abolishing the agrarian maximum for farmers by creating opportunities for private farmers to freely buy unlimited land, by abolishing guaranteed purchase prices of agricultural products and market orientation of agricultural producers. In such conditions, the private initiative in the farming industry is gradually starting to develop. However, agro-producers unprepared in the newly emerging conditions face a lack of financial resources for the procurement of equipment, mechanization and raw materials that could hardly be provided without external financial support. Therefore, the need for farmers to begin to develop their own work plans and to orient themselves towards managerial work in the farm is imposed. This situation required private farmers to adapt very quickly to the new conditions of operation and to seek more help from the competent institutions for development of this area, as well as assistance from the state. Today, entrepreneurship is a crucial factor in the development of farm production. In all countries there is great interest in how the entrepreneurial function will be realized and what its effects are.

In Macedonia, agro-entrepreneurship comes to the fore after the independence of the Republic of Macedonia. By proclaiming independence, with the adoption of the Constitution of the Republic of Macedonia on November 17, 1991, the issue of entrepreneurship is regulated. Article 55 of the Constitution of the Republic of Macedonia stipulates that "freedom is guaranteed on the entrepreneurship market". Entrepreneurship is defined as a constitutional category that is guaranteed and protected by the state and thus has a special place role and importance in our economic system. Apart from the constitutional interest in entrepreneurship, and hence the agro-entrepreneurship in the Republic of Macedonia is supported by the following legal regulations:

- Law on Transformation of Enterprises into Social Capital
- Law on Privatization of State Capital
- Law on Agricultural Activity
- An Entrepreneurship Support Agency
- Establishment of the Macedonian Bank for Support and Development

- Establishment of a guarantee fund for guaranteeing the risk, etc.

Only the entrepreneurial oriented state administration can provide incentives for the massive appearance of entrepreneurial ideas and abilities among private farmers, which requires constant improvement and change of state institutions themselves, and introduction of innovations and competition in the work.

#### **View the agro entrepreneurs for the support they receive from the state**

The results of the survey questionnaire on the role of the state external environment and their impact on entrepreneurship given in the continuation of the paper from which one can conclude the following:

1. *For the successful operation of entrepreneurs in farm production, a certain social climate is needed. The results show that most of the respondents (38.0%) think that there are no opportunities for starting entrepreneurial*



investments in farming, 30.0% that they exist, but should be found, and 10.0% think that these opportunities are good. From the systematic solutions for encouraging entrepreneurial investments in the farmers, the opportunities for entrepreneurship development are opened by giving state agricultural land for lease (39.3%), while about 25.0% consider that the denationalization of the land should be carried out immediately.

#### *2. State agricultural land for entrepreneurs*

Given that agricultural land is a limiting factor in the spread of agricultural production, the provision of state-owned agricultural land for lease allows for the use of land, without investing funds for the purchase of land. However, the majority of the respondents (49.3%) consider that a lease is given to a land of poor quality, which has been departed by large enterprises, economies and co-operatives, and it is not sufficient (in 30.6% of cases), and in 14.8% there is no interest in using it. This confirms the conclusion that only 2,000 ha of agricultural land have been leased out in the Bitola part of Pelagonia from a total of 3,500 ha. For non-use (lack of interest due to poor quality), is the fact that the rent for certain land parcels reaches a high price of bidding. Hence, it is the conclusion of the respondents that the price of the lease of agricultural land is quite high (over 80%), 5.3% think that the price is real, and 14.1% that the rent price is low.

#### *3. The government's efforts to overcome the problems of farm production*

For the needs of creation of an entrepreneurial climate in the society, the majority of the respondents (44.6%) believe that the government's efforts to overcome the current problems in this activity are insufficient, and 39.3% think that almost no special engagements for solving problems in farmers.

#### *4. Measures to overcome the problems in the farm production*

Of the measures to be taken to overcome the problems in farming, about 48.0% of the respondents believe that there should be

organized and guaranteed purchase of agricultural products, 23.4% tackle the problem of the need for guaranteed prices, and about 22.0% consider the priority problem of securing loans as a measure. Most of the respondents think that the education system for entrepreneurship in farming needs to be transformed, and adapted to the new farm management system (over 48.0%), the existing education system is bad 38.6%, and only 13.3% think that it's good. In the frames of the state's activity through the inspection services, the respondents consider that the inspection services are subjective in their work, 20.0% think that they restrict the work of the entrepreneurship in the farmers, and only 10.0% that they introduce order in the work.

#### *5. Social climate and tax policy for the development of entrepreneurship in farmers*

From the answers of the respondents, it can be seen that there is still no social hearing and climate for entrepreneurship in the farmers (over 74.0%), the tax policy is not in the function of entrepreneurship (over 70.0%) and that the value added tax on agricultural products and raw materials represents an additional burden on farmers (over 56.0%).

#### *6. The attitude of banks to entrepreneurs in farm production*

The answers to these questions are such that 40.0% of the respondents are dissatisfied with the attitude of the banks towards them, they cooperate with entrepreneurs only if they have interest (32.6%), or they do not want to cooperate (23.3%). Only 3.3% think that banks are willing to cooperate, which is a small percentage and a confirmation of the thesis about their steep behavior towards this important activity. Banks for mortgages on the approved loan in the village require a flat or a house in a city, movable property, and the opinion of the respondents is like a mortgage to take land (over 60.0%), the village house (16.6%), etc. In the part of the credit policy, the respondents consider that the term of loan repayment should be increased (37.3%) and



increase the grace period for crediting in agriculture (34.6%).

#### *7. Measures to be taken by the State*

From the measures that need to be taken by the state, it is necessary to introduce subsidies, regressions and premiums in agriculture (on finished products and raw materials). 82.0% of the respondents said this, while 81.3% of the respondents consider it necessary to introduce guaranteed purchase prices.

#### *8. The need of agricultural cooperatives, savings and credit services, associations of farmers*

For agricultural entrepreneurs, agricultural cooperatives should exist in the field of agriculture (41.3%), some believe that they can work without them (33.3%), and thirdly that only traders makes profit without them (25.4%). Our opinion is that they should exist and actively engage in the organization of farm production, purchase, supply of raw materials, etc. Closely related to agricultural cooperatives and providing financial resources for farmers is the existence of savings-credit services. Over 62.0% of the respondents think that they should exist, and 16.6% think that the work with the banks is good. The attitude of the respondents in Pelagonia regarding the associations of agricultural producers is that they exist only to profit individuals (over 55.0%), while 27.3% think that the associations should exist. About 34.0% of the respondents think that in the part of the expert assistance received by the farmers from the National Extension Agency, it should change its system and method of operation and that it should be up to date with the new entrepreneurial undertakings in agriculture, 32.0% think it is insufficiently present on the field. Only 14.5% of the respondents believe that the Agency fulfills the obligations for which it was founded.

#### **Conclusion**

Based on scientific observations and research, can be concluded the following:

The influence of the state through the measures of the macro-economic, monetary and credit policy

and agrarian policy, and by creating preconditions for encouraging measures for development of the farm production, is of great importance. In that sense, the creation of a national policy for encouraging and strengthening entrepreneurship, institutional support through providing various assistance, information and services to farmers through various forms of bodies, chambers of commerce, banks, training institutions, consulting services, business centers, quality development production, and so on, is of great importance.

Through the support and monitoring of financial sources for obtaining credit funds, the benefits of reducing risk and creating conditions, the state should provide a favorable climate for motivating farmers for continuous introduction of changes, development of entrepreneurship, inventiveness and innovations.

Within the framework of the provision of an adequate credit system, the banking system of lending in agriculture, despite its weaknesses so far, has been adapted only from a legal point of view to the new economic conditions. The banking system in Macedonia is still one of the most difficult problems for farmers, because it is difficult to adapt to investing in this important activity in the economy.

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