

RURAL DEVELOPMENT IN BULGARIA: SOME FACTORS AND CONDITIONS FOR SUCCESS

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Abstract

The rural development in Bulgaria is an important issue for decent live in the country. Direct and indirect impact on rural Bulgaria is observed from the implementation of different policies. The main aim of the study is to trace the changes in some of the main economic activities which are contributing to the development of the municipalities. The following approach will be used to achieve this goal: 1) Literature review of relevant theories concerning economics of rural development. On this stage factors concerning the rural economy growth will be explained; 2) According to the findings on theoretical level will be performed analysis in dynamics of indicators related to municipality development. As well we will analyze the change in the enterprises' number and sectors where they operate in order to outline the perspectives and importance for rural areas of each sector. For reaching this purpose will be prepared an analyses of the investment of the enterprises in Tangible fixed assets. Bulgaria as a member of EU is a receiver of RDP funding which as well reflect on business development in rural areas. Some relationships between RDP and economical sectors in rural Bulgaria are outlined in the paper. 3) According to the results of the analysis general conclusions will be outlined.

Key words: rural development, enterprises Bulgaria, RDP

INTRODUCTION

Several factors (economic, social, infrastructure and environment) and their level of success influence on rural development [8]. Rural development according to same authors has to reach the positive trends in demography indicators in the group of young population, increased number of economic activities, positive social live, cultural events and good political environment. For better entrepreneurship businesses which have geographical preposition [1] and advantage according to other areas and also to use the capacity of the local people and their knowledge for developing traditional activities (as crafting, tourism, etc.) [18] in rural areas have to be supported. Development of markets is also factor that influence on development of business structures in rural areas [7], where the small traditional farmer's market could support local business to increase their popularity.

Factors which reflect on areas and economic activities defined in traditional descriptive terms are: level of population density, the rate of population, loss or gain, settlement size, local economic structure and landscape [24]. The most common outline concerning development of the municipality can be defined as social development and economic development [12]. To support this development authors pointed that this can happen by developing infrastructure and decreased stress of the social system. Linkage can be found between fixed cost invested by economical activities and sustainability on municipal level [13]. The establishment of connected with agriculture industry and investment in such a sector can contribute to added value of the products, and development of infrastructure including social one. Furthermore, the authors define that there is existing linkage between cross-section evidence of economic sectors and income per capita of the territory where the factories are operating [19].

In some studies, the factors which have strong effect on municipality development are directed to innovations in SMEs (pointed as the most important for sustainability of rural areas) [22]. The consideration of the factors by those authors are: the market scope, firm's market orientation and presence of strategic, managerial and marketing changes. In addition, for the successful development is important as well the implementation of innovations to the market and presence of skilled workers [23].

The summarization related to economic climate and economic benefits of entrepreneurship development according some authors [15] are: job generation, productivity growth, innovation and economic growth. The primary objective of the municipality potential is to support the possibility of increasing its competitiveness on the regional and federal level by supporting business which can create higher labour potential [16].

In this regard the essential element of the European agricultural model is rural development policy that have significant impact on rural development. The Rural Development Program (RDP) is the main opportunity to overcome the recent problems in rural areas and the differences between the development of rural and urban municipalities [4]. The RDP strives to maximize its support for the country's regional development. It implements targeted measures for achieving sustainability of agricultural holdings not only through agricultural production but also through the implementation of alternative activities, upgrading of skills and development of human capital [5]. Other authors [21] also analyse the impact of RDP on improving the economic and social development in rural areas, focusing on the impact of RDP measures on priority areas such as: improving employment and qualification of employed, level of income, added value, improving quality of life etc. On the other hand, for better results from RDP is important the correct implementation of the measurement and a proper level of control [14]. Furthermore, if the level of control is

sufficient and the procedures are clear this will attract more beneficiaries through RDP, which will reflect on higher level of employment and building a social buffer in case of economic crisis [6]. With the support of RDP, progress in sectoral integration is observed mainly by thematic expansion and the continuity of established and important measures is monitored [20]. Measures implemented in rural areas may support variety of investments that will influence on regional development. These investments could be in physical, human and natural capital. From other point of view, the RDP measures support capacity building that stabilise, modernize or restructure the rural economy and use purposefully the available territorial assets [25].

Some authors state that RDP influence on rural municipalities development by supporting projects to improve infrastructure, roads, water and sewage systems, start-up of small businesses, rural tourism and other activities [9].

Specific of the rural economy is the presence of economic activity of micro and small enterprises that have the potential to stimulate the economy and investment activity. Policies providing business support in rural areas influence on business climate as investing in diverse non-farming activities [11].

The RDP for the programming period 2014-2020 is regional strategy for development of rural regions [3]. In this regard, the financial instruments offered under the Program are the financing mechanism for farmers and enterprises [2]. RDP provides an opportunity for companies in Bulgaria to invest in fixed assets, and through the development of their depreciation policy, to use initial investments for constantly upgrade their assets in order to increase their competitiveness [9].

MATERIALS AND METHODS

The main aim of the study is to trace the changes in some of the main economic activities which are contributing to the development of the municipalities in rural Bulgaria. In this manner the relationship

between rural development and RDP program will be examined. The rural economy is developing under the conditions of favourable influence of major macroeconomic factors that support the sustainability of business and the economy. The investments of economic sectors in this study will be measured by the expenditures in Tangible fixed assets.

The study is divided into several parts: 1) Literature review of relevant theories concerning economics of rural development; 2) Analysis of dynamics of indicators related to municipality development; 3) Analysis of the relationship between RDP and Tangible fixed assets in main sectors in Rural Bulgaria. The interconnection between RDP disbursements over the period 2008-2017 and the values of some indicators obtained as a total amount for rural municipalities in the country is presented through correlation analysis.

On this bases some conclusions are made. Some of the presented results are disseminating the findings of the national project Sustainable multifunctional rural areas: reconsidering agricultural models and systems with increased demands and limited resources [10].

RESULTS AND DISCUSSIONS

Dynamics in enterprises (in numbers) by sectors in Rural Bulgaria

The change of number of enterprises per rural municipalities (average) in Bulgaria shows that it is following an upward trend and from 354 in 2008 they increase to 463 in 2017. The increase is at a rate of 0.4% to 3.6% over the years compared to the previous years. 91 from all the rural municipalities (39%) had more than 500 enterprises per municipality in 2008, while in 2017 these municipalities decreased to 67 (29%). Between 200 and 499 enterprises were active in 91 rural municipalities in 2008, and in 2017 the number of municipalities decreased to 86 (they decreased by 2%). The municipalities with less than 200 enterprises are 51 in 2008, and they increase with 12% in 2017.

Figure 1 presents the enterprises' in the municipalities in rural Bulgaria for the period 2008-2017.

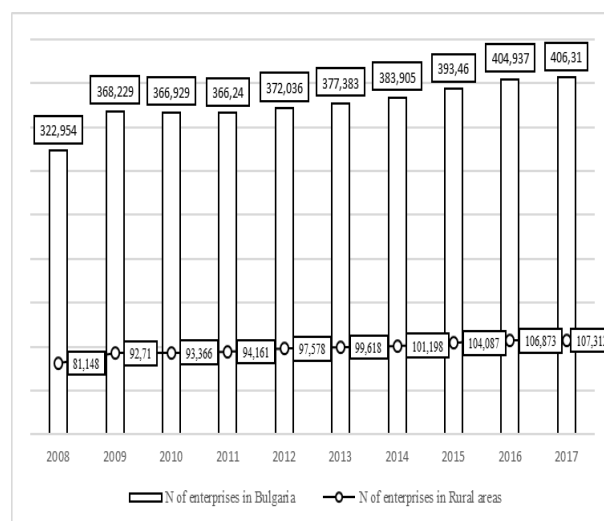


Fig. 1. Enterprises' number in rural Bulgaria - changes 2008-2017

Source: Own finding based by data of [17].

Figure 2 presents the average number of enterprises of one rural Bulgarian municipality for the period 2008-2017. The average number of enterprises is also increasing value.

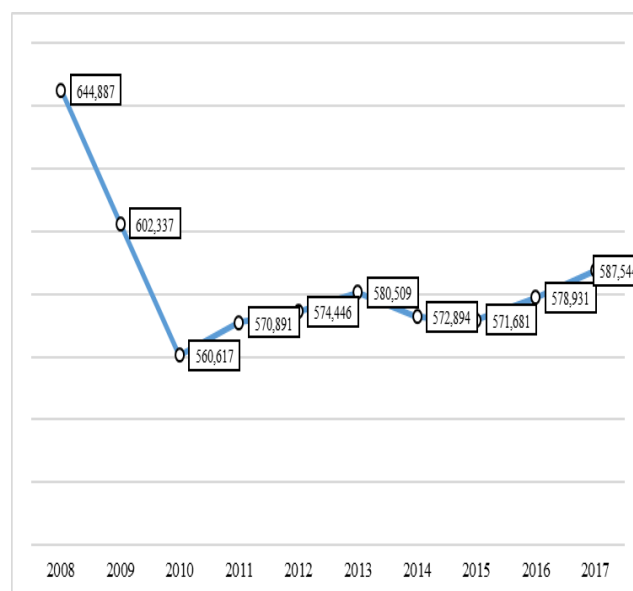


Fig. 2. Average number of enterprises of one rural municipality in Bulgaria – changes 2008-2017

Source: Own finding based data of [17].

The distribution between the numbers of enterprises per one rural municipality is presented in Table 1.

The distribution of enterprises by economic activity during the period 2008-2017 is maintained by sectors that have significant number of enterprises (Table 2).

Table 1. Changes of number of enterprises per one municipality in the period 2008-2017

| Enterprises | 2008 | 2017 |
|--|------|------|
| Over 500 enterprises per rural municipality | 91 | 67 |
| Between 200 and 499 enterprises per municipality | 91 | 86 |
| Under 200 enterprises per municipality | 51 | 79 |

Source: Own finding based by data of [17].

In 2008 and 2017 the most enterprises are observed in the following sectors - Trade and repair of motor vehicles and motorcycles, Agriculture, forestry and fisheries and manufacturing, Hotels and restaurants.

Table 2. Distribution of enterprises by economic activity during the period 2008-2017, %

| Structure | 2008 | 2017 |
|---|------|------|
| Trade. Car and motorcycle repair | 44 | 38 |
| Manufacturing | 12 | 9 |
| Hotels and restaurants | 12 | 10 |
| Agriculture | 7 | 13 |
| Transport, storage and mail | 6 | 7 |
| Construction | 5 | 3 |
| real estate operations | 4 | 4 |
| Human health and social work | 4 | 3 |
| Professional activities and research | 3 | 4 |
| Other activities | 3 | 4 |
| Creating and distributing information and creative products. Telecommunications | 1 | 1 |
| Administrative and support activities | 1 | 2 |
| Culture, sport and entertainment | 1 | 1 |
| Mining and quarrying | >1 | >1 |
| Production and distribution of electricity, heat and gaseous fuels | >1 | 1 |
| Water supply. Sewage services, waste management and recovery | >1 | >1 |
| Education | >1 | >1 |

Source: Own finding based by data of [17].

44 % of enterprises in 2008 operates in the trade sector. They decrease to 38% in 2017. In the sector of agriculture, forestry and

fisheries, enterprises are 7% in 2008 and 13% in 2017. The enterprises in processing industry are 12 % from all the enterprises in rural areas and in 2017 they decrease to 9%. In the hotel and restaurant sector, the share of enterprises is 12% in 2008 and 10% in 2017. The sectors in which enterprises are from 1 to 7% of all enterprises in rural municipalities in 2008 and in 2017 are related to the electricity, information and telecommunications, administration, culture, sports and entertainment, human health and social work, other activities. In some economic sectors as those connected with water and waste, mining and education, enterprises are below 1% during the period 2008 - 2017.

Dynamics in the employment in Rural Bulgaria

Social, economic, and demographic processes in the rural economy determine employment as well the demand for skilled labor. In the regions - South-West and South-Central where investment activity is high, there are conditions for new employment. In rural areas, employment has been rising steadily since 2010, but it is lower than the general level of the country.

Figure 3 illustrates the change between 2008 and 2017 in total number of employed people in rural areas and the change in population in working age.

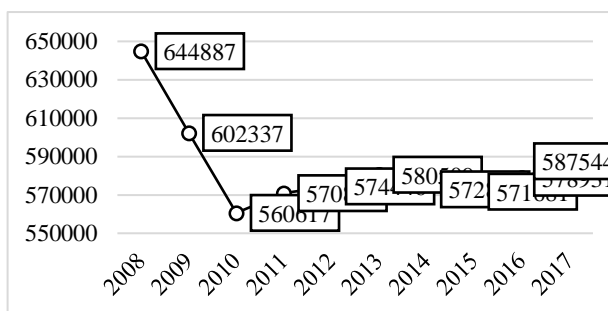


Fig. 3. Dynamics of employed people in rural Bulgaria 2008-2017

Source: Own finding based by data of [17].

There is a positive trend last 7 years, because the number of employed persons are increasing although the negative trend of population in Bulgaria. The explanation of non-migrating of the people can be explained by the increased role of some economical activities in rural areas. This process is

observed better through combination of employed persons and population in working age for the period where we found positive trends (Fig. 4).

The data confirms that even The negative population trends is observed, but there is increase in the number of employed person.



Fig 4. Population in working age and employed persons in rural Bulgaria – changes 2008-2017
 Source: Own finding based by data of [17].

Acquisition of tangible fixed assets (TFA) in rural Bulgaria

The level of the usage of TFA have significant impact on the increase of the production. The cost of acquisition of TFA is one of the main indicators of investment activity. Expenditure on the acquisition of TFAs in rural municipalities for 2017 is about 1/5 of the total amount in Bulgaria and the structure is shown in Fig.5.

Figure 5 presents the distribution of expenditure on the acquisition of TFAs in rural municipalities invested during the period 2008-2017.

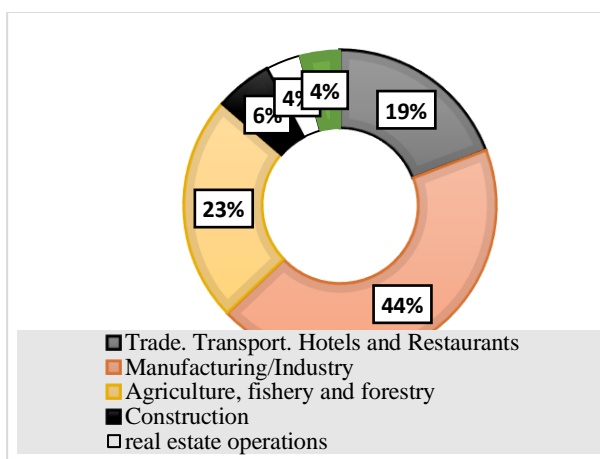


Fig. 5. Expenditure on the acquisition of TFAs in rural municipalities - distribution for the period 2008-2017
 Source: Own finding based by data of [17].

The acquisition cost of fixed assets in the industrial sector (excl. Construction) - 43.667% is with the largest share, followed by sector of agriculture (23.490%), trade, transport, hotels and restaurants (19.205%).

The highest expenditures for the acquisition of TFA in rural municipalities are observed in 2008, followed by 2015, 2014 and 2012. The lowest value of the indicator is measured in 2010, 2011, 2016 and 2013. Overall, increasing tendency is observed in rural municipalities of the cost of acquisition of fixed assets.

Correlations between the cost of acquisition of fixed assets in rural sectors and paid measurements under the RDP programs-2007-2013 and 2014-2020

This analysis examines the correlation (interconnection) between RDP disbursements over the period 2008-2017 and the values of some indicators obtained as a total amount for rural municipalities in Bulgaria. Confidential statistics is not included in the calculated indicators value.

We assumed that the RDP disbursements had an impact on the surveyed indicators not only in the year in which they were disbursed but also in the next few years. Therefore, we calculated the correlations between the studied indicators and:

- RDP disbursements during the current year (RDP0);
- disbursements under the RDP one year before the current year (RDP-1);
- disbursements under the RDP two years prior to the current year (RDP-2);
- disbursements under the RDP three years prior to the current year (RDP-3);

The first current year is 2008 and the last is 2017.

According to the data in Table 3, it is observed a positive correlation between the RDP funds paid and the cost of acquiring TFAs in rural municipalities in the agriculture, forestry and fisheries sector.

The effect of disbursed funds in the agricultural sector is visible in the year of disbursement, and the correlation is decreasing three years after disbursement, which we believe is because farmers invest

the disbursed funds in their business asap after they are received.

Table 3. Correlations between the cost of acquisition of fixed assets in rural sectors and paid measurements under the RDP programs- 2007-2013 and 2014-2020

| Type of economic activity | RDPt0 | RDPt-1 | RDPt-2 | RDPt-3 |
|---|--------|--------|--------|--------|
| Agriculture, forestry and fisheries | 0.809 | 0.551 | 0.614 | 0.357 |
| Industry | -0.229 | -0.101 | 0.282 | -0.262 |
| Construction/building thousands of BGN | -0.388 | -0.364 | 0.250 | 0.375 |
| Trade, transport, hotel and restaurant business | -0.125 | 0.353 | 0.915 | 0.842 |
| Creation and dissemination of information and creative products, telecommunications | -0.138 | 0.250 | 0.566 | 0.908 |
| Financial and insurance activities | -0.070 | 0.073 | 0.044 | -0.038 |
| Real estate operations | -0.531 | -0.291 | -0.122 | -0.458 |
| Professional and research activities, administrative and support activities | 0.160 | 0.592 | 0.469 | 0.702 |
| Government, education, human health and social activities | -0.235 | -0.134 | 0.157 | 0.651 |
| Culture, sports and entertainment, housekeeping, other activities | 0.500 | 0.087 | 0.513 | 0.552 |

Source: Own finding based by data of [17].

The other sectors where are observed a moderate to high positive correlation between the disbursements of R&D investments and the costs of acquiring TFA are: Trade, transport, hotels and restaurants; Creation and dissemination of information and creative products, telecommunications; Professional and scientific activities, administrative and support activities; Government, education, human health and social work; Culture, sports and entertainment, housekeeping, other activities.

CONCLUSIONS

Based on the literature review and prepared analysis could be made some general conclusions:

-Rural development is influenced on the improvement in demography indicators, increased number of economic activities, social success, cultural events, good political environment, entrepreneurship that take into

account geographical preposition and the region advantages, the use of the capacity of the local people and their knowledge for developing traditional activities.

-RDP could solve most of the recent problems in rural areas and the differences between the development of rural and urban municipalities and to maximize its support for the country's regional development, because the RDP's measures are related to economic sustainability of agricultural holdings not only through agricultural production but also through the implementation of alternative activities, upgrading of skills and development of human capital.

-The number of enterprises in rural municipalities in Bulgaria is following an upward trend. 39% from the municipalities had more than 500 enterprises per municipality in 2008, while in 2017 these municipalities decreased to 29%.

-The distribution of enterprises by economic activity during the period 2008-2017 shows that in 2008 and 2017 the most enterprises are observed in the sectors Trade and repair of motor vehicles and motorcycles, Agriculture, forestry and fisheries and manufacturing, Hotel and restaurant.

-In the regions - South-West and South-Central is observing high investment activity and this create conditions for new employment. Economic, social and demographic processes in the rural economy determine employment and the demand for skilled labor and the employment has been rising steadily since 2010 even the negative population trends.

- The level of the usage of TFA and the cost of acquisition of TFA have significant impact on the investment activity. RDTThe acquisition cost of fixed assets in the sectors of industry, followed by agriculture, trade, transport, hotels and restaurants are with the highest share. Overall, the tendency is to increase the cost of acquisition of fixed assets in rural municipalities.

-RDP disbursements had an impact on the surveyed indicators not only in the year in which they were disbursed but also in the next few years.

-There is a positive correlation between the RDP funds paid and the cost of acquiring TFAs in rural municipalities. The effect of disbursed funds in the agricultural sector is visible in the year of disbursement, and the correlation is decreasing three years after disbursement. The explanation about this is because farmers invest the disbursed funds in their business asap after they are received. The other sectors where are observed a moderate to high positive correlation between the disbursements of R&D investments and the costs of acquiring TFA are: Trade, transport, hotels and restaurants; Creation and dissemination of information and creative products, telecommunications; Professional and scientific activities, administrative and support activities; Government, education, human health and social work; Culture, sports and entertainment, housekeeping, other activities.

Factors influencing on rural development are mainly connected with economic development of the areas. On the first place of importance is the infrastructure development, followed by developed markets and quality of working force. In order to succeed the business in rural areas it should be innovative on one hand, but as well to be orientated to the traditional products. The geographical prepositions should be used and the production to be typical for the area and like this to attract new buyers or visitors. The development of the sectors should be innovative and to keep the low level of environmental stress. All this can be implemented by RDP for the next programming period 2021-2017 if the measurements are directed to sectors which can bring added value and create new jobs and professions.

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