Rural areas as an environment for entrepreneurial activity

Teodorina TURLAKOVA

University of Economics, Varna, Bulgaria
tturlakova@ue-varna.bg

Abstract. In recent years, the concept of "rural area" has gained particular importance in connection with the implementation of the principles, instruments and mechanisms of the EU's Common Agricultural Policy. The change in the definition of rural areas is a prerequisite for differentiation in territorial economic and social development. The purpose of the studies is to define and characterize rural areas as an environment for entrepreneurial activity, in accordance with the current regulations and in the context of the new Strategy for the Development of Rural Areas 2023-2027. The study is limited to the rural areas of Bulgaria. Through the methods of comparative and retrospective analysis and synthesis, the rural environment is characterized with all its elements and dimensions that create opportunities and/or problems for the development of entrepreneurship. The impact of the CAP and relevant national programs and institutional activity is considered as an objective factor. An attempt has been made to justify the classification of entrepreneurship in rural areas by forms, types and phases. As a result of the analysis, conclusions were drawn regarding: the influence of place and space, the role of entrepreneurship in value creation and the reassessment of environmental conditions. In an applied aspect, the research would be useful for achieving homogeneity in the development of rural areas in relation to the work of local communities and the implementation of the Recovery and Sustainability Plan.

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1. Introduction

Rural development in recent decades has increasingly been associated with entrepreneurship. In support of such a strategy for development of the areas are declared governments of separate countries, universities, NGOs and the academic society. Increasingly, entrepreneurship is seen as an intervention for strategic development of areas.

Entrepreneurship as a strategic intervention is associated with institutions and individuals working to promote businesses in rural areas: agencies for development of rural areas, farmers who consider entrepreneurship as a tool for benefits, politicians who see it as an opportunity to increase employment. For all the groups entrepreneurship appears as a means of improving the quality of life of individuals, families and communities, and to maintain a healthy economy and environment.

Problems in rural areas are extremely important and relevant to Bulgaria as over 40% of the population lives in rural areas, and they occupy 90% of the country.

Therefore, the aim of this study is based on different scientific views to characterize the rural business environment, and to bring out the conceptual foundations of entrepreneurship in rural areas.

2. Definition, boundaries and classification of rural areas

The term "rural" has been used in the scientific literature for many years, long before its nature, range and performance are adequately formulated. In scientific discussions disparate views on the definition and characteristics of rural areas are expressed. The most important of them can be classified into the following groups:

● "Rural" are areas where economic development, infrastructure and social indicators are much lower than the national average.

● Areas where agricultural workers occupy a high share of the population in villages and small towns;

● The basis is the administrative-territorial structure as "rural" can be designated areas with municipal centre - villages.

Each of these formulations may be considered insufficiently justified and sufficiently comprehensive. For example, given the fact that agriculture is the main source of income and the level of this income is below the average critical threshold, in the definition of rural areas should be included indicators such as the share of income from agriculture and income level in the area.

On the other hand, the designation of the village as a community centre is not sufficiently justified in view of the fact that this role is performed by towns that have integrative role in environmental, urban and economic system. American scientists define rural areas as sparsely populated rural areas. Poor population density is always present in the definition of rural areas, but there are significant differences between countries in terms of numerical limits, classifying an area as densely or sparsely populated. For example, in Slovakia is considered sparsely populated region with a population of under 5000 people, in Western literature rural area was formed as a territorial community centre of gravity up to 10,000 inhabitants, while in Bulgaria settlements, whose population does not exceed 30,000 residents, are assigned to this category. In Scotland, the rural area is defined as a local area with district administration and a population density of less than one person per hectare, which includes much of Scotland beyond the Central Belt.

On the other hand, the Organization for Economic Cooperation and Development (OECD 2003) defines the border between rural and urban areas on the basis of the "population density of 150 people per sq km." According to that definition two hierarchical levels are clearly distinguished: local = Municipality - LAU 1 = and regional - region - NUTS 3.

Application of this methodology for Japan, for instance, shows that this indicator can only be answered by forest areas. Applied to other countries, such methodology leads to selection of only remote (isolated) areas.

OECD developed the following classification of regions:

● predominantly rural regions with a population density below 150 inhabitants per square km, where more than 50% of people are organized in communities;

● mixed regions with a population density of 150 inhabitants per square kilometer, in which between 15% and 50% of people are organized in communities;

● urban areas with a population density of 150 inhabitants per square kilometer, in which no more than 15% of people are organized in communities.

In this definition, each NUTS 3 region in the European Union belongs to one of the three mentioned types. OECD definition is the most widely used in the European Union countries to determine their rural areas.

Eurostat classification creates a unified and coherent system for dividing the territory of the EU for the production of regional statistics for the Community. It is based on the extent of the urbanized area. This attribute defines three types of areas:

• Densely populated areas - a group of neighboring local areas, each of which has a population density> 500 persons / km2, and where the total population of each of these neighboring territories numbers at least 50,000 inhabitants;

• Intermediate group - a group of neighboring local areas, each of which has a population density> 100 persons / km^2 and / or the total population of each area is at least 50,000 inhabitants or adjacent to a densely populated area;

• Sparsely populated areas - a group of local areas, not belonging to densely populated or intermediate areas.

According to the national definition as rural municipalities in Bulgaria are defined all whose population density is below 150 inhabitants per square kilometer, and on the territory of which there is no city with a population of over 30,000 people. The National definition has two distinguishing criteria: population density and population in the largest city of the municipality (municipal centre). Using the OECD definition of rural areas as a basis, in Bulgaria are set 20 predominantly rural areas (NUTS 3), 7 intermediate areas and only one predominantly urban region - the capital Sofia. Thus, predominantly rural and intermediate areas cover 98.8% of the country's territory and 84.3% of its population.

In the Agriculture Report 1999-2003 of the Ministry of Agriculture and Forestry, rural areas are defined as "compact part of the territory, including the villages and small towns with basic function and complementary farming activities - forestry and fishing, crafts and rural tourism."

In 2010 the European Commission adopted a new typology of regions as "predominantly rural", "intermediate" and "predominantly urban" applied at the level of NUTS 3. In accordance with it regions are changed and reclassified into separate groups. Based on this classification, regarding the scope of rural areas are

observed changes, as a territory designated as predominantly rural fell by 22.7%. Eurostat data for 2012 show that 53.6% of the territory of Bulgaria is primarily rural areas.

In the Strategic Plan of Bulgaria, prepared in 2022 and already sent to Brussels for approval, a new national definition has been written down, which defines the municipalities as "rural area" in which there is no inhabited place with a population of more than 15,000 people.

And if so far 231 municipalities out of a total of 264 in the country were defined as rural, our Strategic Plan clearly states that in the period 2023-2027, only 215 of the municipalities in Bulgaria will be classified as "rural municipalities" (Strategic Plan for the development of rural areas 2023 - 2027, 2022).

Generally, excluding the quantitative criteria, defining the term "rural" is based on socio-economic change in any country which is a member of the EU. The main requirement for rural areas is rural lifestyle to be preserved. Each country has developed its own definition of "rural area" given the above criteria. Referring to the overall argument of the European Commission rural are areas including space with certain characteristics, namely: agricultural land and forests, natural areas, including villages, urban centers and connecting infrastructure. It is defined as a complex economic and social structure that brings a wealth of natural resources.

Therefore, based on the summary and analysis of various literary and legal sources, we can point out that the boundaries of the rural area are dependent on national circumstances, territorial and socio-economic characteristics and therefore need to be defined by legislation. Therefore, in further considerations we stick to the national definition of "rural area". Thus the boundaries of rural areas will be clearly distinguished as they are bound by the administrative-territorial unit and are relatively constant regardless of the processes on the territory. This facilitates their study and implementation of policies, given their separateness as a single system.

Rural areas have specific characteristics that arise primarily from the characteristics of the space and the physical characteristics of the territory. They can be classified as follows:

First, the principal feature of rural is the small spatial scale and relatively low development. These are settlements with low density areas, which include villages and small towns.

Second, with the exception of areas near growth centres, the typical rural areas are remote and their populations are much smaller and more dispersed than urban areas. It is therefore difficult for local economies to integrate into the modern sector, which makes the provision of even the most basic economic and social infrastructure extremely expensive.

Third, the rural economy is largely dependent on natural resources. Usually they grow mainly agriculture, mining or other non-agricultural activities, which are emerging as a major source of income of the population in these areas. In the local economy except agriculture often dominate processing companies.

Fourth, another characteristic uniting rural areas, is their geographical location, environment, the number of people living in them, available infrastructure, the level of communication, the level of application of scientific and technical progress, the structure of rural economy and sources of income.

Differences and diversity in the development and characteristics of the regions in Bulgaria are the subject of research institutions and EU programs. The analysis of the United Nations in 2003, performed at the level of output LAU1, brings forward seven relatively independent aggregate characteristics of municipalities. Through factor analysis are selected 36 indicators of social, economic, demographic, health and environmental status of municipalities in Bulgaria. The results provide municipal typology as follows:

1. The degree of urbanization is leading differentiating factor for municipalities. Opposition to the "urban" versus "rural" municipality contains traditional indicators such as population density, share of reinforced housing housing and relative share of Cesc population. There are also key economic, educational and infrastructure indicators such as the share of own revenues in municipal budgets, unemployment among people with higher education; share of population with higher education, etc.

2. Ethnicity outlines major dividing line between municipalities. The differences between these municipalities are in their demographic outlook, namely birth rate, level of population growth and literacy. Another dividing line is associated with the Roma. The "Roma" factor is not included in the purely ethnic typology of municipalities, but is tied to the unemployment rate.

3. Differences between municipalities are much more detached from their mountain or plain location. Mountain typology is associated with higher average altitude and the large forest areas, while lowland communities are characterized by a high share of agricultural land, including arable. These differences have a significant differentiating importance of municipalities even more than their financial outlook.

4 Financial typology is dominated by the degree of industrialization. The high average wage, the net revenue from sales, tax revenues and GDP per capita are typical for municipalities with developed mining industry and energy.

5 Educational scope and demographic outlook have relatively less differentiated matter, especially considering rural areas.

This analysis highlights the need for a comprehensive variety of economic, geographic, educational, health, social, environmental and demographic differences between municipalities.

As a result of all the views on the definition, classification of rural areas and their distinctive characteristics can lead to the following important conclusions that are important for the development of entrepreneurship in these areas:

1 For the purpose of the study is considered the national formulation of the concept of "rural area" due to national peculiarities, territorial and socio-economic characteristics of the country and the need for all boundaries of the area to be bound by certain administrative territorial unit in that particular country.

2 Despite the different national traits and characteristics, limits and indicators, rural areas have typifying and unifying features in all countries;

3 Connecting the rural areas with the administrative and territorial division of the EU countries means that the scope of rural areas includes the territorial units: villages and small towns. Civil understanding of rural overlaps with the term "village" as a territorial unit;

4 The classification of rural areas by different features and different regulatory constraints (defined by Eurostat, OECD and others) allows us to say that in the national boundaries exists heterogeneity of the environment in rural areas related to geographical, educational, demographic, social, environmental and other characteristics of the area. In this connection it is necessary to take into account the differences between the peripheral border, mountainous and underdeveloped rural areas.

5 The heterogeneity of rural areas is a reason to suspect the presence of a strong differentiation in the levels of entrepreneurship, and in many cases variations in the negative direction (eg. depopulated areas) can reach zero.

6 Immanent characteristics of rural areas have an impact on the development of entrepreneurship. In certain time periods and different national rural territories characteristics of the rural areas create barriers and obstacles to the development of entrepreneurship in the region, and in other cases serve as challenges to entrepreneurship and social processes in the region. In support of this assertion we will point out that the OECD from 2005 (OECD 2005) listed three challenges to the development of entrepreneurship, namely:

- Reduction of employment opportunities (especially in agriculture) (OECD 2005, p.18). This requires action to create jobs in rural areas;
- Aging population and emigration of young people. It is also noted that in some cases pensioners, who settle in rural areas, become potential entrepreneurs who contribute to the revitalization of the economy in these areas;
- Difficulties in maintaining a constant preference for rural areas switch local management policies to endogenous mechanisms of development.

In addition, we can say that with the widespread introduction of modern technologies, the remoteness of rural areas is no longer an obstacle to their development. In the works of some researchers (Smallbone et.al. 1993) it is also indicated that the increasing number of small and medium enterprises in rural areas overcomes the constraints imposed by the environment by focussing on the region-specific products with high quality and unique production, thus preserving the lifestyle and culture specific to the region.

3. The specifics of entrepreneurship in rural areas

In the 90s of the 20th century the world observed a higher intensity of the processes of depopulation, stagnation in the development of industries and economic decline in rural areas. That's why more researchers and policymakers seek ways to improve regional development by promoting entrepreneurship. Entrepreneurship as a phenomenon has the potential to stimulate local economies by using local skills and resources. Through the growth of entrepreneurship rural economy can diversify and be less dependent on economic fluctuations affecting agriculture and other industries in rural areas.

Entrepreneurship in rural areas overlaps with the group of enterprises, established in those entities, but not merely in the process of using the countryside as a resource base of production and employment of people in the process of start-ups. Entrepreneurship in rural areas is essentially a process that ensures value to resources in the region by engaging more local human resources. In other words, it is based on the production of finished products in rural areas, based on local material and human resources.

According to Kane, vice president of the Kauffman Centre, the most important advantage of entrepreneurship in regional aspect is that it creates the so called "wealth," not only wages. The "wealth", created by entrepreneurs, remains in the community and is reinvested. Kane claims that these processes differ from the creating of jobs, which increases the income in the community, but does not enriche this community. According

to the Kauffman Centre "entrepreneurial behaviour generates many results, including strong civic leadership, more productive workers and creators of enterprises" (Hustedde 2018).

In addition to the economic benefits of entrepreneurship are added also the intangible ones, which are limited mainly to the establishment of an appropriate entrepreneurial community. Improving the community spirit and generating entrepreneurial environment is likely to lead to the creation of organizations oriented to health care, child care and other social services for which the Kauffman Centre mentioned in their reports as a process for creating social entrepreneurship.

Since rural entrepreneurs need and are even dependent on the support of the community, that is why the theory of entrepreneurship in rural areas focuses on the interdependence "entrepreneurship-community." Entrepreneurship is based on creativity and the ability of people to take risks, but the rural community is the core of its strengthening and development. Therefore, entrepreneurship in rural areas is usually based on the community and has strong family relationships and major impact on the rural community.

Entrepreneurship in rural areas is associated with finding a unique combination of resources within or outside agriculture. This can be achieved by broadening the base of the farm business and including non-agricultural land or production use, different from what is done for agriculture. Therefore, the rural entrepreneur is a person who is willing to stay there and help for creating local wealth. Moreover, the economic objectives of the enterprise and social objectives of rural development are highly interrelated in the environment of rural than in urban areas.

There are several reasons for the increased interest in entrepreneurship related to its characteristics in rural areas and communities:

- Entrepreneurs play an important role as a driving force in stimulating the local and national economy;
- The structure of rural economy is mainly composed of small businesses, which are responsible for strong employment growth;
- Small businesses are an appropriate level of activity for most rural economies. Traditional ways of finding, hiring and retention are not applicable in rural areas and the need to seek alternatives primarily include entrepreneurship.
- Entrepreneurs in rural areas apply diversification or start a new business that diversifies the market by diversifying certain agricultural activities by the food industry, crafts, recycling, recreation, health and others. Diversification towards non-agricultural use of resources by catering to tourists, blacksmithing, carpentry and others such as diversification of activities and use of resources other than land, such as water, forests, available skills and local characteristics fitting into entrepreneurship. Form of entrepreneurial activity is the use of land in a new way, allowing the reduction of intensive agricultural production, for example by organic production.

Dynamic entrepreneurs in rural areas could also exist. They expand their business markets by finding new markets for their products and services outside the local borders.

Although agriculture today provides income for rural communities, rural development, more connectivity increases with the development of enterprises. Competition is growing more and covers not only the industry but also agriculture. Therefore, entrepreneurship in rural areas has a strong influence and importance as a factor of economic change in order to survive the rural community.

Entrepreneurship refers to the new organization of production factors, not only for innovations that are technological or organizational, i.e. it is a new business organization, new technology and new enterprises that produce goods that previously were not available. Therefore, it is considered to be a driving force through which to achieve high growth and higher levels of development of the regions and the municipalities in which it is present and multiplies.

In this picture of entrepreneurship in rural areas can be distinguished also some basic problems. Some of them stem from the specifics of the area, such as lack of financial resources; lack of knowledge as marketing, sales, maintenance, etc.; less support from financial institutions (eg. the need for microcredit), lack of regional control and regulation of business activities.

Others are products of poor management activities, such as misapplication of health programs in areas with a specific culture. The most common mistake is the mechanical application of the developed concepts for national socio-economic development. Causes of the economic crisis affecting almost all rural areas should be sought not only in the poor economic conditions. The crisis has its social, cultural and environmental dimensions. Entrepreneurship is not an automatic process, the result of lowered measures of the central government. The main potential for entrepreneurship is people. Therefore, the local government must treat people as objects, but above all as a subject of local government.

Adaptation of rural areas to a free market economy is often hampered by demographic problems. Treating the population as a major potential for the development of entrepreneurship is a new stage in understanding the issues.

Analyses of rural areas allow to outline some specific features that influence the entrepreneurial potential in these areas. Rural areas are not just geographical areas, populated by a number of residents. There are social relations associated with the local culture, which are as follows: the common conditions of life; sense of belonging to a common space, group solidarity; informal channels of communication; low coefficient of institutionalization; self-sufficiency of material needs and lack of interest in the outside environment. When considering the specifics of the social potential of rural areas should be considered and cultural characteristics, the common values and ideas passed down from generation to generation defining the perception of the surrounding reality.

When defining entrepreneurship in rural areas one should take into account the attitude towards agricultural labour as main activity in villages and small towns.

First, physical labour should be noted. In literature on this topic there are three types of public relations to land and agriculture. The oldest generation of them defines them as fixed capital, ensuring the entire family. This population group is the most difficult to accept the introduction of new technologies in the cultivation of land, and any changes in the economic and social life.

For middle-aged people farming could provide jobs and income. It is a means of livelihood, when a person has no other means of subsistence.

Finally, for the youngest generation land and agriculture are only tools to pursue goals quite different from those of their predecessors. This population group is most receptive to new production technologies and new methods of market research services. Rapid depopulation of rural areas is due to the fact that the majority of young and educated people go to live in big cities, attracted by the possibilities of new technologies and high income.

Another category are businessmen who move to live in villages and begin to develop a small business in the field of agriculture. Local leaders are often an example to others, however, aliens are not always well-received by the local population. Moreover, in percentage, the number of young people, leaving rural areas is much greater than the number of settlers.

An entrepreneur in rural areas is a person, who in most of the time is engaged in an environment, different from that in the big city. The difference between him and a local entrepreneur can be found in the peculiar effects of environment on the entrepreneurial process.

In this sense, the entrepreneurial process in rural areas researchers divide into three stages (fig.1). The first stage of the entrepreneurial process is the identification of opportunities for the development of a business or creating such opportunities. The second stage is the realization of a particular business based on existing economic conditions. In the third stage entrepreneurs make a summary of progress. It is important to note that rural entrepreneurs achieve conventional for entrepreneurship goals at a much later stage, since in these regions to create your own business is the only way the develop to provide work for themselves and for their family members. Moreover, much of rural entrepreneurs look for personal satisfaction in their business, a goal that is very different from that presented in the general economic theory, the main goal of the entrepreneur - profit maximization.

Passing through these three stages depends on the properties of the individual entrepreneur, and the characteristics of the physical, social and economic environment, which performs the entrepreneurial process. Conditions in these environments are constantly changing. The ability to create economic conditions for starting a new business is a personal quality. Social environment, education, and the availability of social capital and entrepreneurial culture in the region are prerequisites for recognition of existing conditions for the development of entrepreneurship.

In the third stage in this process the qualities of the entrepreneur are extremely important, for him to make a real assessment whether the initially set goals are achieved. As stated by some authors, the personality of the entrepreneur changes in different periods as a result of the experience and the level of training. The entrepreneur must be able to change his business strategies and goals, if necessary. Each of the three stages of the entrepreneurial process is influenced both by the geographical features of the region and the qualities of the individual entrepreneur.

The socio-cultural environment is considered a very important condition for the development of entrepreneurship in rural areas. By the indicators income per household, official and hidden unemployment and access to education rural population occupies one of the last places in the social hierarchy. Key indicator of social development is the positive change among the poorest segments of the population.

Lack of entrepreneurial examples is a serious obstacle in rural areas, because an important element of entrepreneurship is to learn from the experience of others. The importance of networking (typical for regions) in rural areas do not always unfold enough due to lack of other entrepreneurs.

Such barrier creates a lack of industrial clusters, which can be a source of competition and support. Although competition and promote oppose their existence enhances business efficiency. Agromeratsiite of

different forms of business leads to the promotion of creativity and innovation, and networking leads to resource sharing. Rural communities often create industrial clusters and can not take advantage of the resources they provide.

As pointed out by most of the researchers, rural entrepreneurs face many challenges such as lack of promotion of business initiative, isolation and remoteness of the market that restrict viable business opportunities, scarcity of capital, which prevents the realization of business ideas.

Despite the difficulties rural entrepreneurs can be in support of official policies at regional level by generating regional effects, namely:

- Promote training of professionals in the region to implement the mainstream economic activities for development of the region through the creation of new businesses;

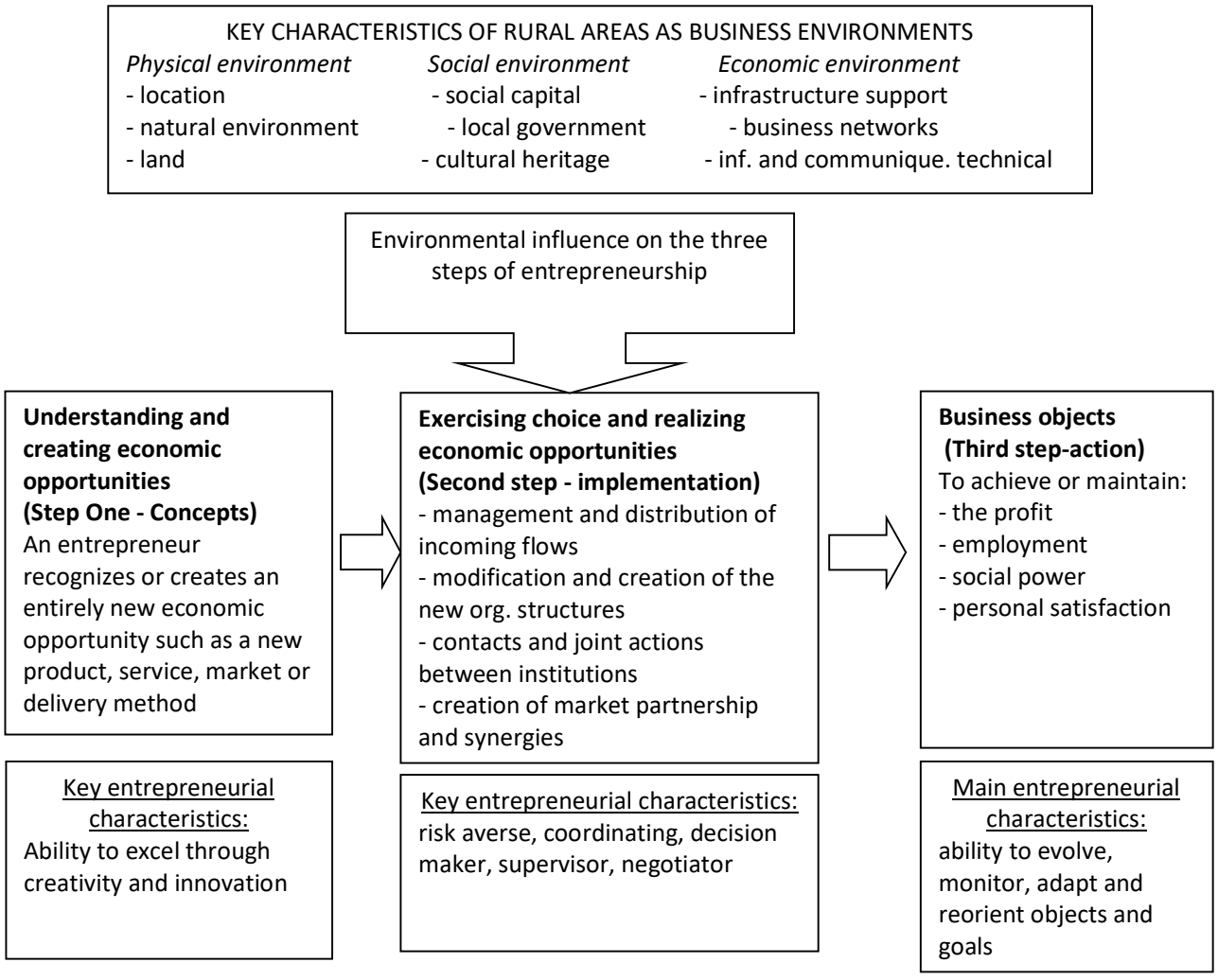

Fig. 1. Three-step entrepreneurial process in rural areas

Source: Stathopoulou et al. (2004).

- Attract in the area specialists and workers without jobs to generate employment and provide opportunity to work and settle in the area;

- Encourage the creation of specific types of businesses that depend on the environment. This nourishes the potential growth of enterprises through micro capital investment and access to capital for start-ups;

- To meet the need for specific local employment;

- To support the creation of a flexible network of cooperatives of all kinds;
- To promote cooperation of small enterprises in networks that promote their competitive advantages;
- To provide various services in the field of finance, marketing, research and development;
- To provide joint services in the field of manufacturing and administration to reduce transaction costs;
- Entrepreneurship to become an essential feature of the region, supported and multiplied through training in entrepreneurship.

4. The role of place and space in the classification of entrepreneurship in rural areas

In colloquial speech, space and place are used almost synonymously. They are also called location, area, region, landscape.

According to several contemporary authors (Korsgaard 2009) the term "place" is considered extremely important in understanding entrepreneurship in rural areas. First, entrepreneurship in rural areas is a separate form of entrepreneurship, different from the others, and second, there is a special feature space.

The concept of "place" is not the subject of particular attention in entrepreneurial science, but finds a place in geography and regional economy. The concept of place can be understood only in relationship to the concept of space. Most accurate characterization gives Tuan (Tuan 2007), who defines space as a movement and as a resting place. In his view space, it is a movement of the body, the eyes and the mind, and the place is communicating with people and things, it is "safe haven". Space is the network that connects places. In this sense, space possess quantitative characteristics, and place - quality. Therefore, space becomes a place where it is the object with which people have some interaction.

Describing the economic and social aspects of space and place, researchers (Castells 1999) define space as a flow of capital, labour, resources and information. This flow acquires new dimensions in the era of new technologies and means of communication. The use of space is the basis of economic concepts to optimize profits in different companies, countries and regions. As pointed out by Hudson (Hudson 2001), place is not intended for implementation of production, but also for exchange of capital, manpower, resources and information with other places in space. Every place is unique and has its own specific characteristics. It matters when people somehow connect their occupation and life with it.

Of course, the relations between space and place are complex. The intensity in space leads to economic growth in some places, especially in large urban areas. Other places, however, are threatened by processes taking place in space. Capital, labour, resources and information circulate generally in the central parts and leave the peripheral areas outside these processes. The uniqueness of all places, however, whether economic growth is reported or not, is threatened by the overwhelming global culture and global products.

Scientists point out that places have social and material characteristics. The place is not just a constant location, it is continuously being created due to human activity. It is also often an arena of conflict and clash of interests between people, but the physical and social environment of a place are constantly interacting. The physical environment can foster or hinder the performance of an activity, and human activity can improve or worsen the physical environment. Therefore, the constant renewal in one place is neither material nor socially driven process and is the result of a complex interaction between social and physical factors.

Feldman (Feldman 2001) and Julien (Julien 2007) stress that entrepreneurship is a regional phenomenon and is dependent on time and place, as entrepreneurs are always part of the environment in which they are located. This environment has hidden resources and social capital, which together with financial and human capital support entrepreneurs in building new companies and their development.

Other authors explore entrepreneurial opportunities and the creation of new companies in different regions where economic and social indicators range from the highest to the lowest levels. In regions with high levels of both types of indicators (economic and social) are reported significantly higher levels of entrepreneurial activity in comparison with other regions.

As already mentioned, the term "place" is not yet defined uniquely for entrepreneurial analysis, especially for the analysis of entrepreneurship in rural areas. Space and place are the main characteristics of entrepreneurship in rural areas and conditions in them are usually associated with a declining population, remoteness, lack of human, cultural, and financial capital, etc. To paraphrase the definition of Anderson (Anderson 1998) that entrepreneurship is "extracting value from the environment", we can say that entrepreneurship in rural areas is to extract value from the specific environment.

This link will bring a different classification of entrepreneurship in rural areas.

In the most general terms, entrepreneurship, developing in a rural area, is associated with space only to the extent to which entrepreneurial activities are necessary to develop somewhere and usually seek the most

advantageous place for the establishment of this activity, namely the price of the land, granting of government subsidies, etc. In this respect, there are many examples from reality in Bulgaria. Localization of business, workshops for production of industrial and food products in villages and small towns is an example of entrepreneurship in rural areas, which uses space with its advantages, but not the quality characteristics of the place.

Entrepreneurship, which is associated with specific physical and social environment of the place and it is the basis for its existence and development, is called "rural entrepreneurship» (Korsgaard 2009). The name indicates that the basis for business are the elements of the environment in the rural area, including the environment, specific for the area crafts, historical monuments, traditions, customs and more. Of course, this form of entrepreneurship is more advanced in rural areas than in small towns in rural areas.

Williams and others (Williams et. al 2004) indicate that this environment can be formed as a result of natural conditions or as a result of many years of conscientious work of the people living in this place. Rural areas offer a variety of resources that entrepreneurs can use to create wealth.

Both forms of entrepreneurship contribute to the economic development of rural areas and from this perspective they can be considered in two aspects: first, they serve as the optimal use of resources in the region, and second, they have the potential to build sustainable entrepreneurship in rural areas.

In close relation to the forms of entrepreneurship we will also point agricultural entrepreneurship which is typical for rural areas. It is defined as the initiation and implementation of successful business in the field of agricultural production, services, trade in agricultural commodities and processing of agricultural products.

Since rural entrepreneurship is linked to the physical, social, cultural, historical and economic resources of a place and creates value from them, there is a bilateral relationship between space and place. On one hand, rural entrepreneurship creates economic value of local resources, which is called valuation or commodification. On the other hand, this valuation leads to conversion of the place, since there is intervention in already existing physical and social configurations on that place. This process can be called revaluation.

According to Clock and Perkins an object becomes a commodity when it "gets value over its own and it can already be traded" (Cloke el.al. 2002). According to the two authors revaluation is the transformation of an object into an object measured by quantitative indicators, respectively price. Thus this object is already becoming a part of the flow of resources that circulates in space.

Scientists, involved in rural development, have developed three modern strategies for the transformation of environmental resources into a commodity:

1) deepening, i.e. increase the value of a unit of production to the levels of organic farming;

2) expansion, i.e. inclusion of new activities related to population, community, nature and biodiversity, such as rural tourism;

3) restructuring, i.e. transition from traditional agriculture to rural tourism or energy production.

Valuation leads to the transformation of place. The use of new combinations of resources directly affects the social and material factors determining the significance of the place. Through these new combinations place resumes. In this regard, we can consider that rural entrepreneurship to a much greater extent than entrepreneurship in rural areas contributes to improving the quality of life in rural areas as rural entrepreneurship restores rural areas through the creation of various goods.

Based on research on rural entrepreneurship can be made some conclusions about it as a form of business activity that is much like the other forms of entrepreneurship, but also quite different from them.

First, as already mentioned, unlike other types of entrepreneurship, rural entrepreneurship uses mostly local resources.

Second, companies operating in rural areas, are unable to realize economic growth as other companies.

Third, while space is a logical pursuit of one goal, place implies the realization of different purposes. Combining the various resources of the environment, entrepreneurship does not set economic goals only. Entrepreneurs, who want to win only, are rarely established in rural areas. Therefore, it can be argued that rural entrepreneurs pursue different goals: personal, social and economic.

In fact, entrepreneurship in rural areas does not follow the logic of creation of new businesses for profit and growth, as is the classic entrepreneurial case. Businesses in rural areas are created mainly to restore these areas and to make them more attractive places, i.e. to revalue them. And for this purpose it is necessary first of all linking place to space.

In this regard, research studies will lead to a better understanding and appreciation of entrepreneurship in rural areas, and this is a prerequisite for the academic society to help for creating successful enterprises in rural areas.

Therefore, all the foregoing allows us to point out that the classification of entrepreneurship in rural areas (which we accept as general term) can be made in the following areas:

● Forms of entrepreneurship: entrepreneurship in rural areas, rural entrepreneurship, agro entrepreneurship;

● Types of entrepreneurial activity - micro, small, medium and large enterprises as defined by the Law on SMEs;

● Phases of entrepreneurial activity - latent entrepreneurship (attitudes and intentions for entrepreneurship), early entrepreneurship (TEA-emerging and new business), established business.

Further research and conclusions will be based on it, including through the use of these abbreviations.

5. Characteristics of the environment in rural areas

Conditions for the development of entrepreneurship differ in rural and urban areas. Scientists working in rural entrepreneurship explore different environmental factors that can be divided into three main areas: differences in the business environment, differences in attitudes and values of the population, differences in the existing economic structure. They have influence on both the natural development of entrepreneurship in rural areas and on the developing of strategies for regional development in the centre, which is entrepreneurship.

The main features of the business environment in rural areas are: narrowness of domestic markets, lack of skilled labour, insufficient and / or inadequate land for business development, poor transport and telecommunications infrastructure, limited access to information, advisory and business services, limited access funding, delays in the development of institutions. Let us consider in more details each of these characteristics.

Compared to its competitors that operate in urban environment, rural businesses are placed at a disadvantage in terms of the capacity of local markets. The fewer people in rural areas in combination with the low household income determine the presence of markets on a significantly smaller scale than those in cities.

Narrowness of local markets is forcing companies, established in peripheral rural areas, especially those geared towards economic growth, to seek opportunities in other markets. This occurs in the earliest stage of their development. Improvement of means of communication and constant decline in transport costs favour the expansion of foreign markets, however, small businesses need external support to make the most of these factors.

Narrowness of local commodity markets determines the existence of underdeveloped labour market in rural areas. This creates difficulties for emerging small and medium enterprises.

Other authors also characterize the labour active population in villages as far less educated than in cities. They believe that the historically low level of education of the people was not an obstacle to rural development, as the nature of rural work does not require higher education and the acquisition of specific knowledge and skills. Moreover, people in rural areas often work outside the family community. Usually they inherit their parents' activities, together with the necessary knowledge for its implementation. Nowadays, however, high technology rapidly replaces traditional industries and the lack of trained people in rural areas hampers the development of entrepreneurship in these places. Furthermore, the organization of training courses in economically weak and sparsely populated areas is a costly investment.

In big cities the supply of property for business purposes is high. Not such, however, is the case in rural areas. While overall prices in villages are lower than in cities, growing enterprises in rural areas find it difficult to find suitable land for the development of its activities in close proximity. On the other hand, large parts of rural areas have been declared protected areas where construction is prohibited. Limited supply of commercial real estate can be reflected in the implementation of weak economic indicators from the private sector, especially where entrepreneurial activity, and hence the demand for property for business purposes, are weak. This is where the state and local governments should take adequate measures for the conversion of existing buildings into commercial buildings while respecting the environment.

The remoteness of many rural areas impedes access of small and medium-sized companies to large markets. In some countries the vast distances between sparsely populated rural areas and large agglomerations, combined with harsh climatic conditions, make the development of small and medium enterprises in rural areas even more difficult. The presence of good infrastructure would help entrepreneurs to more effectively use modern transportation and telecommunication facilities to overcome the disadvantages of remoteness.

Another problem faced by companies in rural areas is the remoteness from banking institutions and companies for accounting and consulting services. Furthermore, where there are business services, they are designed primarily for companies in the agricultural sector, to the detriment of entrepreneurs developing another type of business. This situation implies adequate intervention by the state to support the development of entrepreneurship in rural areas.

Status of local institutions is a key factor for the development of entrepreneurship in rural areas. Analyzing the condition of the institutions in several rural areas in Poland and their impact on entrepreneurship, Piasecki and Rogut (Piasecki et.al. 2004) point out the need to improve the operation of banks and market

institutions, and the need for training and retraining of employees in local administration. According to them, these measures should be combined with the introduction of local self-government, which will enable the government in each region to initiate their own solutions to promote entrepreneurship at local level.

The second group of factors that influences the development of entrepreneurship in rural areas is related to the attitudes and values of the people in these areas. Among these factors the most important are entrepreneurial culture and attitudes in society, social capital and migration to rural areas.

In some countries (eg. Germany) are performed studies of the entrepreneurial process, showing that the development of entrepreneurship in both rural areas as well as in other regions, is influenced mostly by the pattern of economic development. In this sense, the formation of entrepreneurial attitudes of people is influenced by the specifics of the environment and the process of transformation from a centrally planned economy to a market economy. This is a common feature of entrepreneurship in all post-socialist countries.

On the role of social capital, a number of posts exist, in which parallel comparisons between social capital in cities and villages are made. Experts agree in the opinion that social capital in rural areas is established on the basis of a small number of long-term family relations and friendships. Especially important for people of the village is the preservation of tradition, trust and voluntary cooperation between them.

Another major factor, which has received attention from scientists, studying entrepreneurship in rural areas, is migration. It is said that in many countries the quality of life and the beautiful scenery in rural areas becomes a centre of attraction for many people. A large part of the people who choose to settle in those places have entrepreneurial experience and could start their own business or to convey this experience to the local population. This is undoubtedly beneficial effect on the business climate in rural areas.

The third strand in the characteristics of the environment in rural areas, which is examined in relation to entrepreneurship, is the economic structure. The degree of development of entrepreneurship in a region is determined by the level of development of each individual enterprise in this area. Economic structure in rural area is determined by the scale of enterprises, sectoral distribution and their contribution to economic growth and the introduction of new technologies.

Businesses in rural areas are relatively small in scale compared to companies in big cities. It is also known that the majority of business owners in villages hardly perceive differences and have never had much interest in the foreign aid for business.

Historically, the development of various sectors of the economy in rural areas and in urban centres has always been different. These differences in the economic structure have justified the existence of differences in entrepreneurial development between rural and urban areas. In recent years, however, in developed market economies these differences have faded away. The conclusions, reached in the studies, are that despite high employment in these regions, the lack of diversification of the economy is detrimental to the development of entrepreneurship.

The structural reforms in some countries do not change the fact that the agricultural sector retains its crucial importance for the economy of many rural areas, even where the share of employment in agriculture has declined dramatically. Agriculture could be the basis for the development of a number of industries on a local level. At the same time, competition in the market and decrease in the aid for the agricultural sector are forcing farmers to switch to search for other business opportunities.

In general (with a few exceptions) the traditional activities in rural areas such as agriculture, fishing and mining are the basis for the development of entrepreneurship in these areas. The importance of agriculture for the development of agriculture is not straightforward. First, agriculture supplies basic raw materials for many entrepreneurial activities related to the production of food and drinks. Second, agriculture is part of the development of rural tourism and third, this sector constitutes the physical, social and cultural environment of rural areas and consequently the opportunities for developing business in them.

Introduction of new technologies makes various regions more competitive in the international market. In the process of implementation of know-how and development of new products and services entrepreneurs play a key role. In this sense, the future development of rural areas is directly dependent on the development of entrepreneurship and successful implementation of new technologies.

6. Socio-economic prerequisites for entrepreneurship in rural areas at the modern stage

The introduction of a currency board in 1997 aims to stabilize the Bulgarian macroeconomic environment and gives the various sectors of the economy a chance to develop sustainably. As a result of the mentioned measures, the GDP produced in 2002 was 22% higher than that in 1997, calculated in constant prices.

Under the conditions of a monetary board, not all sectors develop efficiently and consistently. Particular progress is marked by the services and the increase there is of 24.4% for 2002 compared to 1997. Financial intermediation, trade and industry are developing at high rates.

Agriculture has developed unsustainably since 1997. The development of the sector has been accompanied by sharp declines and periods of sporadic growth.

As it was noted in the previous parts of the development, the population inhabiting the rural territory, with its demographic and social characteristics, determines to a significant extent the possibilities for utilizing its resource potential and its development. Moreover, from the point of view of entrepreneurship, the population redefines the availability of labor as a factor in the production function and simultaneously determines the potential local market for the business.

The negative trends characterizing the demographic situation in the country's rural areas have a long history associated with internal population migrations in the second half of the 20th century. The first data are from the 1940s, and the main part of the migration flow is from the villages to the cities (see table 1). Three decades later, the demographic resources in the villages have declined dramatically. Mostly people of working and under-working age migrate from these areas, which reduces the potential for private business.

Table 1

Ratio between urban and rural population in Bulgaria (%)

Year	City population	Rural population
1946	24,7	75,3
1975	58,0	42,0
2001	69,0	31,0
2008	71,1	28,9
2011	69,6	30,4
2021	73,35	26,65

Source: NSI by years and own calculations.

At the end of the 20th and the beginning of the 21st century, a new period of serious migration from small to large cities and outside the country was observed. Researchers of the regional structure of the population report an additional worsening of the demographic situation, noting that not only villages are affected, but also the centers of rural areas (small towns with a population between 5 and 30 thousand inhabitants).

In general, the Bulgarian population is constantly decreasing, but in rural areas the rate of decrease is significantly higher. For the period 1975 - 2021, the population in rural areas is 2 times less (1975 - 3,666,684 people to 1,737,725 people in 2021 according to NSI data).

According to the "Population density" indicator, rural areas are more than twice behind the average density for the country. In the years before accession to the EU, 3.2 million people lived in rural areas, and the population density was 35.8 d/sq.km, against an average density for the country of 69.9 d/sq.km. The analyzes presented in the Rural Development Programs (2007-2013) and (2014-2020) show that the average population for rural municipalities is 13,800 people, despite the large disparity between individual municipalities. As of 30.12. 2021, about 72.4% of cities are small in size - with a population of less than 10,000 inhabitants, and 27.9% of all municipalities have a population of less than 6,000 people. There are 18 municipalities with a density of less than 10 inhabitants per sq. km, and 58 municipalities with a density of up to 20 inhabitants per sq. km (Socio-economic analysis of regions in the Republic of Bulgaria, Fourth stage, part 2, 2021).

The recorded decline in the rural population averaged 10.5‰ in the first twenty years after 2000, which is several times more than the 2.1‰ decrease in the urban population. Mechanical growth (the net balance from external migration) also has a significant impact on the number and structures of the population in the country. It is formed as a difference between the number of people who settled (immigrants) and those who left (emigrants) from the country. The coefficient of mechanical growth in the country in 2011 was –0.7‰, and in 2020 – 4.4‰. An important factor in reducing the population in rural areas is the negative natural increase – 8.2‰ for the same period compared to –3.7‰ for urban areas. On the other hand, the mortality rate among the rural population is almost twice as high, which is also the main reason for the higher negative values of the natural increase. The values of this indicator in the villages exceed those of the cities by about 10‰.

As a result of the action of the two indicators - the reduction of the population as a result of natural reproduction and the negative mechanical growth, the territory is depopulated. Aging population in villages and depopulation are some of the most important problems in rural areas where endogenous development models are not working. This is because in the territories subject to depopulation the number of the population decreases as a result of the migration processes, the decrease in the birth rate and the disruption of the replacement of generations in a territorial aspect. As a consequence of this, the effect of migration increases and the age structure of the population deteriorates permanently. As a result of such processes, rural areas lose their labor potential and the share of the population over working age seriously increases, as well as the share of desolate land, because there is no workforce to cultivate it. Demographic processes have a strong negative impact and lead to the closure of part of the depopulated villages (table 2).

Table 2

Number of settlements for the period 1946 – 2020

Type of settlements	1946	1975	1992	2004	2008	2020
Rural	5821	5 163	5 113	5 086	5051	5000
Urban	106	216	238	247	253	257
Total	5927	5379	5351	5333	5304	5257

Source: NSI and own calculations.

From the data in table 2, it is clear that over a period of about 60 years, the urban type of settlements increased more than twice, and the villages decreased by 770 units. Even if part of the villages were transformed into towns, for the specified period, about 10 villages per year disappeared, which shows intense negative processes. In just one reporting year (2019), 17 town halls were closed, and two settlement entities of local significance were created.

The outflow of young people from rural areas is gradually becoming a concomitant occurence of budding democracy. It is important to note that the decrease in the number of population in rural areas is not only the result of limited employment opportunities, but also of the balance between settlements and emigration in and out of the country. Of note is the fact stated in the National Strategy for Demographic Development of the Republic of Bulgaria 2006-2020, upgraded with the National Strategy 2012-2030, that 144 small settlements do not have a single resident and they are disappearing from the map. As a result of this trend, uneven demographic and economic development of the country is taking place, which in the near future will create serious difficulties for the state and regional administration.

The reduction of the rural population in Bulgaria could have ambiguous consequences for the development of rural areas. It may be a sign of the presence of a more efficient workforce, for example a small number of farmers cultivating large amounts of land with highly productive machinery. However, the complete depopulation of villages could lead to negative social, economic and environmental consequences. Such have been reported in Spain and are reduced to the depopulation of villages; desolate land expansion; increasing the prices of urban housing and increasing the number of forest fires. In this regard, the directions in which the negative influence of the processes of depopulation of the regions are taken into account are identified and presented, namely: social, economic and ecological consequences.

The data of the European statistical office "Eurostat" show that our country is in one of the leading places in the European Union in terms of depopulation of rural areas. The population decline, measured by the rate of natural increase, was minus 9.5‰ for 2020 (down from minus 6.7‰ in 2019 and minus 5.1‰ in 2011). The coefficient of natural growth in cities is minus 7.1‰, and in villages – minus 16.0‰ (at 4.4‰ and 13.1‰ in 2019, respectively). At the moment in Bulgaria, one third of the country's population lives in the six largest cities, which have a population of over 100,000 people, and 27.9% of the population at the moment is the part that lives in rural areas, or 231 out of 264 municipalities in the country. With the changes in the new Strategic Plan 2023-2027, the number of rural areas will probably change to 215 municipalities.

Judging by the demographic processes in other European countries, the reduction of the population in the villages and its concentration in the big cities is an inevitable process. UN forecasts indicate that the share of the rural population would decrease by 5-6 percentage points by the end of 2022 in advanced countries such as Hungary and Poland and by 1-2 percentage points in Bulgaria.

Under similar conditions, it turns out that the availability of natural and other territorial resources in rural areas is not a decisive factor. The lack of a demographic resource or its reduction lead to a weakening of the area's sustainability due to the absence or decline of entrepreneurial activity. Such areas are characterized by the

lack of new activities, as there are no regional entrepreneurship subjects available, and with the low supply of labor resources, the territory is unattractive for external investments. Usually in such territories there are activities from the agrarian sector, which are not market-oriented and aim to satisfy the owners of the land with food products. The condition of the infrastructure is related to the described conditions, since there are no users of this service and therefore there are no persons interested in its maintenance and management.

Infrastructure is an important element not only for the living environment, but above all as a basis for the development of economic activities. From the point of view of the spatial location of the business, it plays the role of a localization factor. The infrastructure developed according to the needs creates prerequisites for the improvement of living conditions and the system of services for the population.

In villages and small towns, regardless of the development of the national economy, one of the main characteristics is the insufficient degree of construction of the infrastructure, as well as the lack of variety and quality of the services offered - usually housing construction is of poor quality, health services and education are insufficiently developed or difficult to access, internet and transport connections are in poor condition. For these reasons, the quality of the living environment in rural areas is low and it becomes unattractive especially for young people, giving rise to a poor demographic and age structure there.

From the point of view of business ventures, regional infrastructure is an important part of the resources of any territory and potential for the development of the rural economy. It has a decisive influence on the localization decisions of entrepreneurs outside the territory and determines the possibilities for positioning the business in the rural areas. In this regard, the influence of infrastructure as a factor for the territorial location of businesses and for the development of regions is closely related to the advantages for the concentration of business activities and has an agglomeration effect. However, it manifests itself mainly in urban centers.

In rural areas, an important stage in infrastructure planning, which is indicated by scientists (Ilieva, Burdarov 2021, p. 51 – 54) as a new necessary characteristic, is its ecological effect. It is important in the construction of some regions, such as the Rhodope region, for example, which has insufficiently developed communications and facilities, but at the same time requires the protection of the natural and cultural landscape.

The authorities of each country and its economic actors are responsible for employment, training, business competitiveness, environmental quality, innovation research and more, but the Preamble of the EU Treaty also emphasizes European solidarity, which justifies Community action to strengthen of economic and social cohesion and reduction of differences in the levels of development of individual regions (Directorate - General for Education 2021). It is important to mention that several national strategies for the demographic development of the Republic of Bulgaria were developed during the transition years. The recent strategies have clearly defined the problems with the depopulation of rural areas and the cause-and-effect relationships for this phenomenon, but by themselves they cannot give clear indications that a motivated state policy in this direction will be implemented in practice.

The level of entrepreneurial activity and employment of the population with productive work is a factor of extreme importance for social progress, quality of life, security and successful participation in the intensively ongoing processes of globalization and European integration. Increasing the economic activity and employment of the population with the development of the economy and investments in human capital is the most important factor for the eradication of poverty, social disintegration and insecurity.

Going back to 1989, we can note with negativity the vicious cycle that has gradually developed over the years. It begins with the closing of a large number of so-called "rural schools". The argument is the reduced number of children in small settlements. This step reflects on the lowering of the quality of education in the villages due to the difficult access to education. A low educational qualification creates uncompetitive people on the labor market, for whom agriculture is almost the only alternative for employment. Lack of employment also means reduced purchasing power, which is typical for the rural community. Under these conditions, it turns out that there is also a lack of a local market for goods and services, which discourages potential local entrepreneurs.

In addition to this, it should be noted that the prices at which agricultural products are purchased in our country are still low. Most often, they are sufficient only to cover production costs. Sometimes prices are artificially kept low when there is only one buyer of agricultural produce (such is the problem with purchase prices for wheat, milk, meat, etc.). Usually a small number of companies control the market and keep prices low or hold a monopoly on the market for agricultural products. Solving this problem, at least in part, means that in rural areas work must be done on building the agribusiness system, which is related to the promotion of private initiative and the support of emerging producers.

There is already an experience for farm owners to increase their income by processing the basic products they produce, i.e. by closing the production cycle – and thus counteracting the low purchase prices in the local markets.

From the point of view of the concept of regional and human development, which places emphasis on entrepreneurial activity, the institutions in the regions should put the person at the center of their attention.

Accepting institutions as a system of rules channeling individual behavior means that the legal functioning of the state, the regulation of market rules, and the construction of the non-governmental sector make sense if they expand people's choices and reduce social differences between big cities and small towns. In this sense, supranational, national and regional institutions play an important role in the development of entrepreneurial activity and rural areas.

Numerous governmental and non-governmental institutions function in Bulgaria to support agriculture and the development of rural areas. However, they are still too dependent on the central government, they do not act close enough to people's daily lives, they are not deployed in the regions where their action is needed.

At the central level, the policy for the development of rural areas is led by the Ministry of Agriculture, the Directorate "Development of Rural Areas", the State Fund "Agriculture" (SFA), the Paying Agency (PA), the Ministry of Finance, the Ministry of Regional Development and Public Works (Ministry of Labor and Social Policy (MLSP), Ministry of Environment and Water, Employment Agency, Regional Agricultural Services, National Service for Agricultural Advice (NSAA), National Rural Network, etc. The rights and obligations of these institutions enable them to stimulate or limit the forms and speed of development of agriculture and rural areas.

For entrepreneurial activity, the presence in individual municipalities of branches of banks, insurance companies, commodity exchanges and markets, commercial and purchasing organizations, etc., implementing, supporting, promoting and financing activities for the development of business and rural areas.

The role of the local government in undertaking policies for the development of rural areas is determined by a number of units such as: municipal administration, municipal services "Agriculture", experimental stations and institutes, the regional units of the National Service for Advice in Agriculture (NSAA), the National Veterinary Medical Service (NVMS), the National Plant Protection Service and many other institutions concerning various aspects not only from the field of agriculture, but also from the field of services, construction, etc. From the point of view of the daily needs of people from rural areas, the NSAA has a special potential. It has diverse functions and a developed regional network in the country. Suitable from the point of view of business are the regional offices of the NSAA which play the role of multi-profile consulting centers.

Through the system of local offices, the state could not only "bring down" its decisions to the regional level, which is a fact at this stage, but also build its policies through meetings and consultations with local agricultural and non-agricultural producers.

According to an own research, people in villages are little aware of the possibilities of supporting institutions. A large part of the respondents do not know where to apply for support under the Rural Development Program and think that this is the work of experts. A large part of people in rural areas do not know the activities of state and non-governmental institutions.

Only 15.1% of them believe that in their area there is a "place where they can be consulted and apply" for assistance in small business and traditional agriculture. Even fewer (3.5%) are the respondents who agree that in their area there is a place to apply for support of rural tourism, ecotourism (2.6%) and ecological agriculture (1.8%). They know significantly more about this in the regional cities - 33.5% of residents believe that there are agricultural development programs in their area.

The tasks of the NSAA and other local institutions imply serious investments in the institutional and human capital of the regional offices. At this stage, no such capacity has been built to cover every municipality. Efforts to build business advisory capacity are a relatively new function for the NSAA staff, but they would enable the regional offices to work more actively in the municipalities and settlements of the users.

The main challenge for the institutions and administration of the Rural Development Program in the new program period (2023-2027) is related to the idea of providing integrated administrative services, ensuring interoperability between existing systems in administrations that are built independently and in weak coordination, as well as official exchange of information and documentation in electronic form. The delegation of more powers to the regional units of the institutions is also among the main challenges during the past programming period - 2014 - 2020, which would facilitate and speed up the processes of application and verification of the costs for the beneficiaries.

The organizational strengthening of state agencies and services requires not only personnel and financial support, but also good coordination of institutions. At this stage, the existing institutions are coordinated not on a regional basis, but at different levels and more often by central offices, which overlaps some of their functions.

The numerous institutions and programs lack spatial coordination and regulation for action on municipal territory as secondary distributors of state funds.

There are positive attitudes among the population about changes in the decentralization of decisions and ways of managing financial resources, although the ensured freedom of municipalities to determine local taxes and fees led to serious problems for businesses in some areas due to the introduction of much higher local taxes

in some areas compared to others. On the other hand, in order to cover their budget deficits, municipalities are forced to sell their assets. This threatens their financial stability and decapitalizes them.

The share of municipalities in public investment expenditure decreased from 23% in 1998 to 19% in 2014 and there i a subsequent increase to 27.6% in 2018. Another issue is that the share of expenditure on construction, maintenance and repair of the infrastructure in rural municipalities is relatively small.

At the national level (Research of the National Association of Municipalities in the Republic of Bulgaria 2019) 87.4% of people believe that management decisions for agriculture have positive results when they are taken by the municipalities and not at the central level. Similarly, town halls are expected to play a decisive role in the management and control of programs to support rural areas and to promote local business.

Along with state institutions, non-governmental organizations (NGOs) at the regional level also have a decisive role in the development of entrepreneurship. NGOs are particularly important in protecting small producers against the market pressures of large trading and manufacturing firms, as well as in relation to the state institutional and regulatory environment. Over 100 associations, unions and associations on the problems of rural areas operate in Bulgaria, which we can group as:

- production associations (branch unions);
- producers with the same organizational status (farmers, cooperatives);
- professional groups (associations and unions of agronomists, agricultural economists, veterinarians, zootechnicians, etc.);
- business consulting centers

More popular non-governmental agricultural organizations among farmers are the following: the Association of Agricultural Producers in Bulgaria (AAPB), the Association of Farmers (AF), the Union of Young Farmers, the National Union of Agricultural Cooperatives in Bulgaria, the Agency for Regional Development, the National Association of municipalities in the Republic of Bulgaria, etc. A large part of them declare that they are of national importance for the development of agriculture and rural areas. Most often, however, it turns out that they are built from the top down and are initiated by representatives of scientific institutes or a few relatively large manufacturers. For these reasons, very often small producers do not identify with these organizations and their activity is known as lobbying for private interests.

The trust of people living in villages in business centers or farmers' associations is extremely weak. Less than 2% of them believe that these organizations can influence young people to stay in the countryside. An even more serious drawback is that in 65% of cases there are no such organizations in the villages.

The role of trade unions and associations can be appreciated more by those engaged in business in the big cities than in the villages. The authority of NGOs can be strengthened if they solve day-to-day problems at the local level, such as protection from the monopoly of the local reseller, assistance in entering the local market, assistance in planting and breeding material, assistance in applying for measures, lobbying local authorities, etc.

Credit institutions are a major factor in the success of entrepreneurs. The provision of financial means for business in rural areas has several main sources: medium-term and long-term bank loans from commercial banks (in agriculture, registered farmers benefit from them), the investment programs of the DF "Agriculture" and financing under various projects and programs, most -often the Rural Development Program. An alternative to bank loans is the use of the services of non-bank financial intermediaries.

In general, the business environment in Bulgaria is slowly changing. In the latest ranking of the Doing Business 2020 report, published by the International Finance Corporation and the World Bank, it is indicated that our country retains its 61st place in the ranking for business climate in European regions. The report measures the freedom to do business in 183 economies using 9 indices. It is reported that the progress of our country is in two areas: paying taxes - reducing the share of employers in social security contributions and starting a business - reducing the minimum capital for registration of limited liability companies.

Another World Bank report states that the state tax regime creates a particularly heavy burden for companies in Bulgaria (World Bank 2020). According to the report, the outdated regulatory framework, weak institutional structure and government policy in setting state fees lead to uncontrollable growth. The increase over a period of 5 years is 60%, and the time entrepreneurs lose in dealing with various regulations is 10.6%. In comparison, entrepreneurs from Estonia and Slovakia, for example, spend less than 7% of their time on compliance with various regulations. In this regard, it is recommended to reduce the time and costs of entrepreneurs who are required to fulfill various regulations and pay fees for them.

Therefore, the conditions that hinder entrepreneurial activity in rural areas and their socio-economic progress are related to the lack of decentralization in management and an appropriate local tax system, to the depopulation of villages, to the creation and/or improvement of technical and social infrastructures in villages, with the difficulties in coordination and the functions of individual institutions, with the conviction of those living in rural areas about the role and importance of national programs and those of the EU CAP, with awareness and the creation of an entrepreneurial attitude and entrepreneurial climate in the region.

7. Influence of the Common Agricultural Policy on entrepreneurship in rural areas

After the accession of Bulgaria to the European structures, the toolkit for supporting the development of infrastructure and for agriculture was increased through the Program for the Development of Rural Areas (PDRA). Within the framework of separate measures, non-agricultural economic activity in rural areas is also supported.

The influence of the PRDP on the restructuring of agricultural holdings is in the direction of consolidating farms, increasing the average size of the Agricultural Area Used (IZP) per farm and reducing the number of farms with small sizes of the used agricultural area. These processes definitely contribute to increasing the market orientation of agricultural production. On the other hand, the highly dualistic structure in agriculture is preserved.

The structure of agricultural holdings is a determining factor for the receipt and amount of direct payments. Changes in the direction of consolidation of farms lead to an increase in the share of farms that received support. For comparison, in 2007 only 15% of farms received area subsidies, while in 2010 their share increased to 24% (Koteva 2013, p. 29). The dualistic structure of the holdings also proved to be irrational for the implementation of the CAP, as it led to a serious imbalance in the support of the holdings. It is expressed in the concentration of significant funds from a small number of large farms, mainly specializing in the field of grain production. Small farms receive symbolic funds or are deprived of support.

With the CAP reform after 2013, an attempt was made to distribute direct payments to farmers more equitably. The so-called multi-layer structure of direct support was applied, introducing green payments, redistributive payments, payments for young farmers, for small farmers, etc. The change meant increasing the flexibility of the direct support system, tailored to the needs of farmers and their farms. Research shows that non-production direct payments retain their priority and continue to be a major share of direct support. The unfavorable trend from the first program period has not been overcome until the end of the second program period - until 2020.

The internal redistribution of financial resources did not lead to a significant change in the regime of direct support. Through the introduction of the reform in 2013, its implementation in 2015 also introduced various measures as part of the new multi-layer structure for direct support. The goal was to create a fair distribution of direct support to individual types of farms, with the smaller ones receiving a larger amount of support at the expense of the larger ones. Among the new measures was the redistributive payment, referring to different amounts for the first 300 decares of the agricultural holding and for a larger amount of farmed land, as well as a number of others. Despite the changes aimed at fairer financial support, in relation to the specifics of agricultural holdings, they did not have a serious effect. The priority part of direct support is again targeted and absorbed by large farms and farmers with above-average incomes. The economic fragmentation of agricultural holdings, the unpredictability of the farmer's income and the reduced ability to plan and cover costs continue.

With the planned CAP reform, after the first programming period, two main goals of direct support were set, which were not achieved. Differences in support levels between individual farms in our country were not eliminated or reduced. The implemented reform has a limited effect and a controversial effect, and it is not in line with the realities and challenges facing the future development of agriculture.

Farmers need real and concrete actions and measures at this time, based on SWOT analysis, bottom-up research approach, as well as analysis of objective facts. Similar analysis and proposals in this direction have already been made in the new Strategic Plan for the Development of Rural Areas 2023-2027 (2022, p.213), it is important how they will be specified in the Program and with what tools they will be implemented in the planned period until 2027

There is no doubt that the system of direct support should be continued, but modified and adapted to the specific challenges in the sector, in order to be justified and entirely in the interest of farmers. It is reasonable to provide a grace period for the elimination of direct support which is not related to production. The directions in the future period should turn to stimulating young farmers, implementing innovations and technological renewal. Restructuring of direct support and the creation of other pillars of support to manage and reduce the risks of production, to stimulate specific sectors of production, etc. are also not excluded.

In the mountainous regions of the country, 22.1 thousand small farms, or 25.8% of all operating on the territory of the country, are active.

Support, especially through direct area payments, therefore reinforces the differentiation between farm sizes and hence leads to an increase in regional disparities – due to the link between area specialization and farm size. For example, support in the South Central region can be expected to have lower farm values than support in

other planning areas. According to the latest data, the Dobrich region has the highest relative share in the total payments under Area Payment Unit Schemes (SEPP). The influence of direct payments and PDRA in the Dobrich region and in some other municipalities causes processes of consolidation of agricultural lands, and has a positive effect on the development of lease relationships.

In general, the ratio between the projects agreed upon and those submitted is 61% for the entire program, which necessitates increasing the efforts of the local administration with a view to complying with legally established deadlines. Over time, there has been a drastic increase in the number of concluded contracts in the last two years, in contrast to the initial years of the program. This is due to a number of factors, including the increased awareness of potential beneficiaries, as well as the increased experience of local administrative structures charged with accepting and processing application documents. The additional developed mechanism for providing interest-free loans to municipalities, the new alternative provided for guaranteeing advance payments through a guarantee contract in the amount of 110% of the advance payment, as well as the refinancing the commercial banks schemes applied since 2011, granting loans to finance the projects, have a positive impact on the operation of the program.

The actual financing of measures under the 2014-2020 PDRA began only in 2018 with 0.23% of the total budget. In 2019 and 2020, respectively, 8.15% and 9.54% or 9.54% of the total program budget have been implemented so far. Although the second program period started in 2014, the cumbersome procedures for application, approval and starting actual payment take too much time and 90% of the budget remains unused (Strategic Plan for the Development of Agriculture and Rural Areas in Bulgaria for the period 2023-2027 2021, p. 214).

Evaluations of the effectiveness of the measure show that the amount of support is insufficient for the restructuring of farms and it is necessary to provide additional support under program measures aimed at modernization of agricultural holdings and diversification of activities.

The data on financing under separate measures of the PDRA indicate that the bipolar model of the organizational-economic structure in agrarian entrepreneurship is increasingly being strengthened, which in certain regions leads to the creation and growth of monopoly structures and the absence or destruction of the competitive market environment (for example, in the North-East region and Dobrich region). In such areas, the small farms created with great efforts do not stand up to the competition with the large structures, especially in the processes of land leasing, where the competition is mainly expressed in the amount of rent paid.

The approaches to the financing of agricultural holdings under the CAP exacerbated not only the problem of the irrational agrarian structure, but also gave the opportunity for the so-called fictitious entrepreneurs to enter the sector. The implementation of the decoupled payment scheme has allowed random individuals without motivation for permanent investment in the sector to access European funds. A similar trend is also observed in subsidizing measures from the first program period, where the purchased assets do not meet the requirements and are not intended for diversification into non-agricultural activities and development of tourism in rural areas (Nikolova, Linkova 2020).

In principle, after the accession of Bulgaria to the EU, the average income of farms as a whole has increased. The comparative analysis shows that direct payments affect income differently by farm type. There is a strong differentiation in the amount of subsidies received and differences in the level of support by farm specialization, dictated by the different level of land security and the different relative share of direct payments in production costs. The importance of subsidies in the income of farms with field crops, permanent crops and animals is increasing.

The most serious factor in increasing incomes is the increase in subsidies received. Their share in the net income of farms increased from 19% in 2007 to 130% in 2009, and for 2018 it was 75% of the net income. In the works of some authors (Nikolova, Linkova 2020) regarding the applied measures, it is noted that subsidies do not have a positive impact on the gross added value produced by agriculture.

The analysis of the impact of the Common Agricultural Policy establishes an adverse effect of agricultural subsidies in Bulgaria, especially on employment in some subsectors. From figure 13 it is clear that in Bulgaria agricultural employment is growing in the highly subsidized sectors of agriculture. According to the Agricultural Accounting Information System, this is the production of field crops that are low labor intensive.

Other authors (Plachkov 2019) also point to the problems with unclear interpretation and last-minute changes by the SFA of the eligibility criteria, which hinders the preparation of projects by the beneficiaries, as well as prioritization of grain producers over producers in sensitive sectors, which is in contradiction with the objectives of the program.

In parallel with this, the subsectors with high labor commitment - vegetables, perennial crops - have low subsidies. As a result, there is an adverse effect of the subsidy from the point of view of the dynamics of agricultural employment, keeping it in labor-intensive sectors of agriculture at the same time at an unsatisfactory low level.

These circumstances lead to new territorial disparities, given the fact that field crops are mainly concentrated in the region of Dobrich region, respectively, vegetable crops - mainly in Plovdiv region, and animal husbandry - in mountainous and semi-mountainous regions.

The change in the subsidy policy in the direction of taking into account the territorial and sectoral specificities will contribute to an increase in efficiency in the regional plan, will lead to an increase in entrepreneurial activity and an increase in competitiveness in the labor-intensive subsectors.

Regarding the motivation for entrepreneurial activity, we can note that there is a serious difference in the trends of received subsidies and the average net income of agricultural holdings. It turns out that the subsidy has a diminishing effect on the average net income of a farm. It is natural to expect that the attractiveness of agriculture as a type of entrepreneurial activity will also decrease.

The effects of the program in terms of unemployment and employment can be assessed as negative or, in case other factors affecting rural areas prevail, we could assess the effect as neutral. It is a fact that compared to 2010, the economic activity rate of persons aged between 15 and 64 decreased by 0.5%.

The implementation of the measures and axes of the PDRA were oriented indirectly in the direction of reducing the depopulation of the villages. A review of rural population migration data for the period 2007-2020 shows several important results. Internal migration processes can be considered in two separate stages, proceeding in different directions and with unequal power. In the period 2007-2014, the number of people who moved from cities to villages exceeded the number of people who left villages and settled in cities. In 2007 - 2020, the internal mechanical growth in villages was negative. The new challenges to the development of rural areas are clearly fueling certain hopes in part of the urban population for a better life in the countryside. It turns out that migration processes in this direction are unsustainable. The expectations of the participants in them for a relatively quick adaptation to the rural way of life and realization in agribusiness at this stage are not justified. The reasons for the migration from the villages are primarily related to the closing of schools in small settlements and the lack of opportunities to find permanent or temporary work.

In the case of external migration, no sharp jumps are observed in individual years. A coefficient of variation of about three and a half times lower than that of internal migration is reported. Expectations for the impact of the CAP on demography and employment in rural areas have not been fulfilled. Therefore, after 2007, the migration of the population from the villages outside the country continued. The positive in the process of migration from villages outside the country is the reduced activity. While until 2006 the villages lost an average of 2,500 people per year, during the period 2007-2020 this number dropped to 800 people. Of course, the decline in migration is also due to the deepening post-2019 pandemic crisis on a global and European scale. Such variations in migration levels can be explained by various reasons and for the most part do not lie on an objective basis. However, the inability of the program to achieve the goals of stopping or reducing the outflow of young people from rural areas is present.

The review of the implementation of the PDRA to date shows that, although it is aimed at the complex solution of specific national, economic, social and structural problems, its impact is primarily on the competitiveness of Bulgarian agriculture. The growth of incomes in agriculture, the increase of knowledge and qualification of agricultural producers, the development of organizations, the improvement of the structure of the agricultural sector and the development of small and medium enterprises from other non-agricultural sectors lag behind significantly. The low absorption by a number of measures, relative to the planned amounts, shows the weak activity, which can be interpreted as a lack of motivation of the potential and real entrepreneurs in the regions. The reasons for the low absorption are also rooted in the insufficient professional training of agricultural producers, as well as in the limited access to support for small and medium-sized enterprises. Last but not least, the weak implementation of LEADER and the inapplicability of the developed strategies for local economic development have an impact.

Progress in implementing the PDRA is uneven and insufficient. It is also unbalanced both in terms of achieving the objectives of the program and in some of the measures, which does not allow the synergistic effect of its application to be manifested. The main reasons that have been identified can be noted: the insufficient administrative capacity, the weak competitiveness of some sub-sectors and lack of opportunities to implement projects in the completely depopulated settlements, the unfavorable economic situation in the country, the low activity of the population for the development of agrarian and other types of entrepreneurship, the weak awareness, the lack of consulting services and, above all, the missing institutional local infrastructure to promote, support, encourage and support entrepreneurship in all its forms. As the main problems for the implementation of projects in rural areas, one can add the lack of funds for their initial crediting, the long period for buying back the investments in some of the projects, procedural problems in some of the measures under the PDRA.

A precise and clear distinction should be made between the structure of agricultural holdings and the way they are supported - both in terms of their scale and in terms of the type of crops grown. It is recommended that small and medium-sized farms should be prioritized for financing, while large farms should be placed in a

position of primarily market development. The aim is to allocate funds for the entry into the sector of young farmers and small farms, for the economic and social development of rural areas, for the implementation of investments and modernization of small and medium-sized farms, for the stimulation of production with high added value, which will be competitive and independent

8. Conclusion

Summarizing the above research in the broadest way, we can point out that in their development the regions, placed even under relatively identical national conditions and considered in the broadest sense, create a radically different level of entrepreneurial activity. The general normative, economic, social and other components of the external business environment are not the reason for unifying the degree of regional development of companies. Entrepreneurial activity is influenced by the following factors: entrepreneurial attitudes in the region, educational level of the population, regional policy, institutional support and interpersonal support. In this context, it is necessary to build the policy in the rural areas of the country, emphasizing the creation of access to higher education, the construction of institutional support and appropriate social and financial regional policy, which in its indirect sense is aimed at stabilization of social capital.

A serious shortcoming in planning, managing and analyzing the effects of funding is considering it on a regional basis. Looking for and reporting quantitative macro-level effects such as absorption of funds, social effects and positive economic indicators is not the right basis for analysis and management impacts. Hence the need to develop sub-programs at the regional level to the PDRA and to other national programs.

It should be emphasized that, in general, the development and development of a modern European model of rural economy with specific regional approaches to impact on entrepreneurship will contribute to the growth of income and employment, as a result of which the processes of convergence in regional development will be manifested.

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