

Rural Entrepreneurship in Bosnia and Herzegovina, Challenges and Opportunities

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Rural development has been identified by many actors dealing with economic development of Bosnia-Herzegovina (B&H), both local and international, as one of the key areas of intervention. The main drivers of rural development should be small sized companies run by rural entrepreneurs. In order to design effective policies that would boost entrepreneurial activities in rural areas, the obstacles and drivers of their businesses should be understood properly.

This paper presents analysis of the factors determining success of rural entrepreneurship in B&H. The paper combines results from quantitative and qualitative data, collected originally as part of the research for this paper, in order to provide evidence of the main factors affecting success of rural businesses. The data for the quantitative analysis were collected through a field survey of 300 interviewees, who are owners of micro of small sized rural business (1-49 employees). The questions from the survey covered demographic characteristics of the owners, characteristics of their business, obstacles they are facing in running a business and factors that have positive influence on their business performance. The data were analyzed by descriptive statistical analysis and regression analysis. Average annual growth in employees, as a measure of success of the business, was used as a dependent variable. Determinants of success of a business entered the regression model as five broader factors produced by factor analysis process, described as institutional factors, skills, access to market, access to finance and infrastructure. The estimated model reveals the direction and magnitude of different factors of small business success in rural areas.

Results from the quantitative analysis were combined with the results of quantitative analysis of data collected through 30 semi-structured interviews with owners of small rural businesses. The interviews were used to gain deeper insight into the characteristics of factors affecting their success. The data collected through interviews were analyzed using contents analysis.

Finding from the research, combining both results of qualitative and results of quantitative research have identified and described the key factors affecting rural business. These findings were used to develop a list of concrete policy recommendations that should aim at reducing barriers and improving factors that have positive influence on rural businesses, in order to increase entrepreneurial activities in rural areas, which should have positive influence on economic development of these areas and entire country.

Keywords: Rural Entrepreneurship, Business Success, Semi-Structured Interviews, Factor Analysis, Probit Model, Bosnia-Herzegovina.