



www.ebscohost.com
www.gi.sanu.ac.rs, www.doiserbia.nb.rs,
J. Geogr. Inst. Cvijic. 66(1) (125–142)



Review paper

UDC: 911.3:330(497.11)
DOI: 10.2298/IJGH1601125A

ECONOMIC-GEOGRAPHICAL AND REGIONAL CONTEXT OF ENTREPRENEURSHIP IN SERBIA

Jugoslav Aničić¹, Svetlana Vukotić, Jovana Todorčić***

*Union University Nikola Tesla, Faculty of Entrepreneurial Business, Belgrade

**Geographical Institute “Jovan Cvijić”, SASA, Belgrade

Received: February 12, 2016; Reviewed: March 17, 2016; Accepted: March 23, 2016

Abstract: Entrepreneurship in Serbia has not reached the necessary level of development, nor the one proclaimed by the economic policy after the year 2000. This is the reason why the negative results of the transitional processes are still present, ranging from high level of unemployment and low level of competitiveness to the high level of foreign debt. These negative consequences of the transitional processes have to be solved by the local governments, although the responsibility for this situation lies primarily with the state authorities (various ministries, Privatization Agency, etc.). This paper highlights some of the economic, geographical, strategic and financial aspects of entrepreneurship in Serbia. It includes the analysis of the region (spatial) and sector (structural) in entrepreneurship configuration, allowing a deeper insight into problems of economy and geography in Serbia, explaining the existing situation, as well as possible guidelines for the economic recovery of the country. Entrepreneurship development in the future, mainly in the production sector, represents a chance for inclusion of the Serbian economy in the global market processes, especially given the difficult situation of the majority of large companies at the moment.

Key words: economic-geographical characteristics, entrepreneurship, local economic development, regional differences, economic policy

Introduction

The economic policy in Serbia in the transition period has not shown the expected results in all areas of economic and politic movements, starting with the low level of competitiveness in the world, high level of foreign debts, the deindustrialisation of the country, and the extremely high level of unemployment. These conditions impose a question of the change in economic policy which will lead to economic sustainable growth and development, eliminate regional disparities, and provide the necessary level of investments as well as a favourable environment for the SMEs sector development. The

¹ Correspondence to: ajugoslav@yahoo.com

affirmation of the entrepreneurship as a whole, especially production, can be a good start for the advanced and pragmatic transformation and transition of our society towards the economically developed world beyond doubt.

In the period of transition some large companies emerged as the carriers of the local development and employment. A large share of the companies was also extinguished or in the process of restructuring and bankruptcy during the privatisation process. The problems caused by the developments-unemployment, poverty, migration to larger cities, etc., have to be dealt with mainly by local authorities. This is the reason to pay the appropriate attention to the questions of local economic development because of the importance of this process for the local, and indirectly, the total economic development. Local economic development is the process managed by the municipalities and cities with the aim of strengthening the existing economy, new investment promotion and employment rise in the specific environment. The most important factors influencing the success of local economic development are geographical position, inherited state of the economy, natural resources, entrepreneurial initiative of the local government, human resources and local tax policy.

The objective of this paper is to point out the importance of entrepreneurship in the future economic development at local and regional levels, and its effects on the complete economic development of the country. The objective of the analysis is to recognise structural misbalance and regional disparities of entrepreneurship in economic and geographic area of Serbia. Large companies have lost a big share of their property during the period of transition, as well as the position in the market they used to have. That is why the role of the SMEs sector and entrepreneurship has a crucial importance in the future economic development of Serbia.

Entrepreneurship in the function of local economic development

Entrepreneurship represents a model of business behavior which includes the company owners/managers in active search of new business opportunities. The carriers of these activities are entrepreneurs, and their behavior often includes activities such as innovation, proactiveness and risk while taking advantage of business chances. Entrepreneurship represents a way of thinking, and its core is the action. Entrepreneurial behavior, often considered as starting a private business, includes a readiness to undertake risks and a sense of independence. It has its characteristics, good and bad sides, problems and ways of solving them. Also, there is a very common understanding of entrepreneurship as a new

company foundation, where an entrepreneur has the role of a founder and/or manager.

Entrepreneurship opens new workplaces, it is the driving force of the economy, and entrepreneurship development strongly promotes social development. Entrepreneurship is a dynamic process where entrepreneurs take over the initiative in production and new ways of doing business. Entrepreneurship can be observed as a market function (with the objective of explaining the changes in the market when an entrepreneur reacts), as a process (chance and organisation recognition in order to use them), and as a person who shows initiative, authority, prediction ability, undertakes risks and leadership (entrepreneur) (Herbert & Link, 1989; Bygrave & Hofer, 1991; Stevenson & Jarillo, 1991). According to Kirzner (1978), an entrepreneur does not create anything new, but searches for a misbalance in the market, and tends to reduce it by his entrepreneurial activities.

Entrepreneurship is a modern way of business behaviour which finds economically more efficient and more attractive business activities in the market. It is a creative activity of making competitive and comparative advantage of the products, services, company or individuals, and it provides market and economic results increase in the entrepreneurial-minded companies. The start and development of entrepreneurship represent an important economic, technological and social phenomenon. Nowadays, when the environmental challenges are bigger and more complex, entrepreneurship becomes the key holder of the individual, business system and national development. Small and medium-sized enterprises can successfully overcome their disadvantages by horizontal or vertical connections, and the most common forms are clusters and business incubators. Business incubation through small enterprise growth is directly connected to the local and regional development.

After the year 2000, Serbia has gone through a difficult period of transition in the course of which it has not reconstructed its economy successfully, so that today it is faced with the problem of high unemployment, poor infrastructure, aging population and migration from the poor regions to the main centres, which caused the continuing underdevelopment spiral in some parts of the country. According to Miletić, Todorović, and Miljanović, (2009), in order for a policy to be efficient, the development programmes have to agree with the regional specific points, that is, underdevelopment characteristics of the “endangered” areas. This makes the question of local economic development even more important for Serbia, because the interest of all key sectors is to mobilise local communities’ potentials to help the economy, in order for the recovered

economy to help the society. In the period of transition some regional companies disappeared, the ones that were the holders of the local development and employment, and the consequence was also people leaving underdeveloped areas for regional centres, which would make future development policy more difficult to implement in local communities (Vukotić, Aničić, & Laketa, 2013).

Authorised institutions in Serbia recognised the significance of entrepreneurship for the acceleration of economic development on the state level, as well as in regions and local units. Because of that, year 2016 is declared as a year of entrepreneurship in Serbia. There are a lot of projects and activities whose objective is to give support to the development of entrepreneurial way of thinking and functioning, alongside with the support from Ministry of Economy of the Republic of Serbia and other ministries, Serbian Chamber of Commerce, regional economic chambers and others. It is especially important to emphasize career and entrepreneurial conferences committed to the development of youth and female entrepreneurship, which are organized by the Economic Youth forum and other organizations whose primary goal is entrepreneurship development. Big economic systems like Telenor, Microsoft and similar, are also supporting such activities.

According to Dokić (2015), with the beginning of a new period after the 1990s, regional and local factors get more space for influencing the development of their communities. Thereby, from the aspect of local policy, the most important are investments in real forms of property, enabling economic benefits realisation through certain productive business activities. At the same time, local governments have a difficult task before them: reducing unemployment rate, increasing life standard and retaining educated, young professionals in their areas. In order to reach these objectives, it is necessary to make strategic development plans to increase investment inflow, productivity and local economic subject competitiveness. These plans should be given development priorities, based upon the resources available, and according to the needs of the economy. Only this type of policy leads to the local sustainable economic development in the long run.

Local government is an important part of the state when it comes to supporting the economy. As the citizens expect that the state authorities aim all the capacities at reducing unemployment and increasing the standard of life, they also expect the same from the local authorities. Treating the economic development as a priority for local governments is also a characteristic in the most developed countries. Therefore, for example, according to Furdell (2003), the most important objective within the local economic development is

increasing the number of employed people in the local government territory. The essence of the concept of the “local” in the economic development is in the cooperation of the participants at the local level, and in the endeavour to use local comparative advantages as much as possible-geographical position, work force quality, available economic potentials, infrastructural connection, etc. Blakely & Brandshaw (2002) sum up the importance of the local aspect in the economy in the fact that locally based economic development and employment incitement have more chances to become successful if started at local than some other level.

According to Čapkova (2005), local economic development is a wide strategy through which the local participants and institutions try to use the local resources in the best way, with the aim of preserving the existing and opening new work positions, as well as increasing activity range. Economic policy creators, although being reserved towards local government role in connection with economic flows until recently, nowadays actively encourage local economic development in most countries. The reasons, according to Cunningham & Meyer-Stamer (2005), lie in central authorities understanding the fact that they not only lack the budget funds, but also the information as well as knowledge of the local situation in order to deal with the local development initiatives.

The concept of local economic development implies the usage of instruments directed towards the definition of the local development priorities, planning of the strategic cooperation between public and private sector in local development opportunities promotion, infrastructure building, management work improvement, public income encouragement policy and local economy stimulation, mainly through business entity pooling and information programme and training support.

The most important factors influencing the local economic development in Serbia are the geographical position of the municipality, inherited state of the economy, natural resources, human resources, the entrepreneurial initiative, readiness for reform implementation and adjustment to environment dynamic demands.

When the relation between entrepreneurs and local self-governments is concerned, good communication is important, which will ensure better awareness of entrepreneurs and better adjustment to changes. Also, the entrepreneurs that are better informed will be able to use more public resources which are at their disposal. Therefore, according to Bojović (2011), enterprises will become factors of key importance for the development of local economy

and this connection is mutual, because both sides have benefits. In accordance with that, Belkić & Hrnjaz (2010) assert that conduction of local economic development implies a joint activity of local authorities, entrepreneurs and different social groups. Vojnović, Cvijanović, & Stefanović, (2012), as a core of entrepreneurship state the ability to combine, risk taking, new development possibilities and an active government's role in the creation of business environment which will encourage entrepreneurs.

Business environment for entrepreneurship development

One of the directions of the sustainable economic development is entrepreneurship, which gave some positive results in the economically developed world. However, the business environment for entrepreneurship development in Serbia is still unfavourable, with almost the same obstacles as at the beginning of the transitional period, despite a declarative support on behalf of the economic policy creators. Unemployment problem solving, young professionals' migration prevention, work productivity increase, innovation acquisition are only some of the positive effects of entrepreneurship development. In the process of creating a favourable environment for entrepreneurship development, apart from state institutions, entrepreneurship associations, small and medium-sized enterprises and entrepreneurs' association, as well as state and private universities, international and local organizations and associations should have an important role. High unemployment rate and constant growth of foreign debt are among the biggest problems of Serbian economy (Table 1).

Table 1. Foreign debt and unemployment in the period between 2008 and 2014

| Year | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---------------------------------------|----------|----------|----------|----------|----------|----------|----------|
| Debt amount (millions of euros) | 20.981,6 | 22.272,4 | 23.508,7 | 24.123,5 | 25.645,3 | 25.745,8 | 25.925,3 |
| Unemployment rate | 13.6 | 16.1 | 19.2 | 23.0 | 23.9 | 22.1 | 16.8 |

Source of data: National Bank of Serbia (2015b); Statistical Office of the Republic of Serbia (2015a)

According to the data from the Statistical Office of the Republic of Serbia (Workforce survey), the unemployment rate was 17.9% at the end of the second quarter of 2015, female population unemployment being 19.4% and male population 16.6%. The unemployment rate in the Belgrade region was 18.5%, Vojvodina region 17.7%, Šumadija and Western Serbia region 16.6% and Southern and Eastern Serbia 19.1%.

The trend of increasing foreign debt in Serbia shows worrying dimensions because the country is threatened with a debt crisis. The most important indicators of foreign debt (foreign debt/GDP and foreign debt/export of goods ratio) show very high values and they are on the sustainability level, according to World Bank criteria (National Bank of Serbia, 2015a). Also, according to the data of The World Economic Forum report for 2014, Serbia is in 94th position in the list of 144 countries, by global competitiveness index value. Compared to the previous year, the position has improved for 7 places. The global competitiveness index can be “roughly defined” as a set of institutions, policies and factors determining the country’s productivity level. National economy’s capacity is expressed in competitiveness level so that in the medium term it generates sustainable economic growth at the existing level of development. Among the countries in the region, only Albania has a lower rank (97), while other countries are in front of Serbia (Croatia 77, Slovenia 70, Montenegro 67, Macedonia 63, Hungary 60 and Romania 59). It is indisputable that the development of entrepreneurship is largely conditioned by the competitiveness of the entire national economy. Also, according to the World Bank report “Doing Business” for 2015, Serbia is on the 91st place on the list that measures the ease of doing business. This indicator indicates the delay in improving the regulatory environment for economic development, especially for local entrepreneurs. The World Bank underscores the need for further implementation of regulatory reforms in the areas of resolving property issues, obtaining construction permits, the development of infrastructure in underdeveloped areas and the like.

Entrepreneurial initiative in local governments and active part of the higher authority level are necessary for local economic development, and they are reflected in business incubators’ creation, industrial parks and improved business districts, municipality investment potential promotion campaigns launch, various forms of public-private partnerships. Various forms of incentives and exemptions from local authorities or the higher authority level towards economy, as well as state programmes providing funds for the local government to create a better environment for investment attraction are also an important element.

Human resources at the local community level are a factor of crucial importance for successful local economic development. The quality of the leading people in municipal administration and utility companies has a crucial influence on enforcement of the planned reforms. Apart from these, local leaders outside authority structures may play a particularly important role in creating a local economic development frame. They are influential businessmen, professionals

from scientific research centres, educational institutions, small and medium-sized enterprise association managers, etc.

It is especially important to strengthen the relations between scientific research centres with economy — each region should have a scientific research centre in order to support the activity which is the largest development potential for the region. The effects of technical and technological progress do not have the uniform influence in the complete territory of Serbia (Radulović, 2012). As a rule, innovations appear and are applied to developed, urban areas and industrial centres, and only later they spread to other areas. This situation is identical to the highly educated professionals being concentrated in university towns: Belgrade, Novi Sad, Kragujevac and Niš. Besides, due to one-way motion from outside areas towards big city centres, workforce mobility between regions and professions is worryingly low (Radovanović & Maksimović, 2010). It further implies fewer possibilities for local and regional knowledge application with the aim of solving specific problems in outside and the undeveloped area economy.

Sector and regional distribution of entrepreneurship in Serbia

Territorial organization of the Republic of Serbia consists of five regions (Belgrade Region, Region of Vojvodina Region of Šumadija and Western Serbia, Southern and Eastern Serbia and Region of Kosovo and Metohija). They include 30 administrative districts, i.e. 180 municipalities (including 30 urban municipalities). Of the total of 6,158 settlements, 193 are urban. The territorial division of Serbia includes 24 cities. The City of Belgrade (Belgrade region, the Belgrade area) is a special territorial unit defined by the Constitution and the law. Within the Republic of Serbia are AD Vojvodina and AD Kosovo and Metohija as forms of territorial autonomy (SORS, 2015a).

The data about the number of entrepreneurs, according to activity sectors and regions (Table 2) show that in the total number of entrepreneurs (sole proprietorships) in Serbia, the largest share is concentrated in Šumadija and Western Serbia region (28.4%), followed by the Belgrade region and Vojvodina region.

From the activity sector point of view, at the state level of the Republic of Serbia (Table 2), almost half of the total number of entrepreneurs does business in tertiary sector activities (48.9%). This is followed by quaternary (27.1%) and secondary sectors (24.6%), while the primary sector in Serbia has only 1.1% of the share.

Entrepreneurship in the primary sector in Serbia is mostly represented in Šumadija and Western Serbia region (32.1%), as well as Southern and Eastern Serbia (31.5%). Entrepreneurs in the secondary sector are dominant in Šumadija and Western Serbia (32.8%), and the same is true about entrepreneurs in the tertiary sector, and they are also mainly represented in Šumadija and Western Serbia region (29.2%). Quaternary sector activities are dominantly concentrated in the Belgrade region (37.5%), as expected, due to the presence of services and institutions of public importance. Belgrade is the management, administrative, university, scientific, financial, trade and health centre of Serbia, therefore this concentration is logical.

Table 2. Number of entrepreneurs, according to activity sectors and regions, December 2014

| Activity sectors | The Republic of Serbia (total) | The Belgrade region | Vojvodina region | Šumadija and Western Serbia region | Southern and Eastern Serbia region | Kosovo and Metohija region* |
|------------------|--------------------------------|---------------------|------------------|------------------------------------|------------------------------------|-----------------------------|
| Total | 216,129 | 57,499 | 55,375 | 61,276 | 40,312 | 1,597 |
| Primary | 2,431 | 268 | 584 | 781 | 766 | 32 |
| Secondary | 52,328 | 10,987 | 13,148 | 17,149 | 10,629 | 415 |
| Tertiary | 103,910 | 24,687 | 27,602 | 30,300 | 20,359 | 962 |
| Quaternary | 57,459 | 21,557 | 14,041 | 13,045 | 8,628 | 188 |

Source of data: SORS (2015a) according to SBRA (2014)

*The data apply to the business entities registered at the Serbian Business Registers Agency, and Registry of Classification Units at SBRA, which are administratively active. Therefore, the data for Kosovo and Metohija region is incomplete, and under the assumption of mainly applicable to entrepreneurs in the northern part of the region (Serbian municipalities).

Entrepreneur structure by sectors (Figure 1), shows dominant tertiary sector (services) in activity structure in all four regions (about 51%). The Belgrade region shows a recognizably high share of the companies in the quaternary sector (38.3%), as well as lower share of the secondary sector compared to other regions. Dominancy of the tertiary and quaternary sectors in Serbia, unfortunately, does not represent a post-industrial development phase (as in case of developed countries), but is based upon a deep crisis of the production sector, which started in the 1990s, continued and deepened even after the political changes in the year 2000.

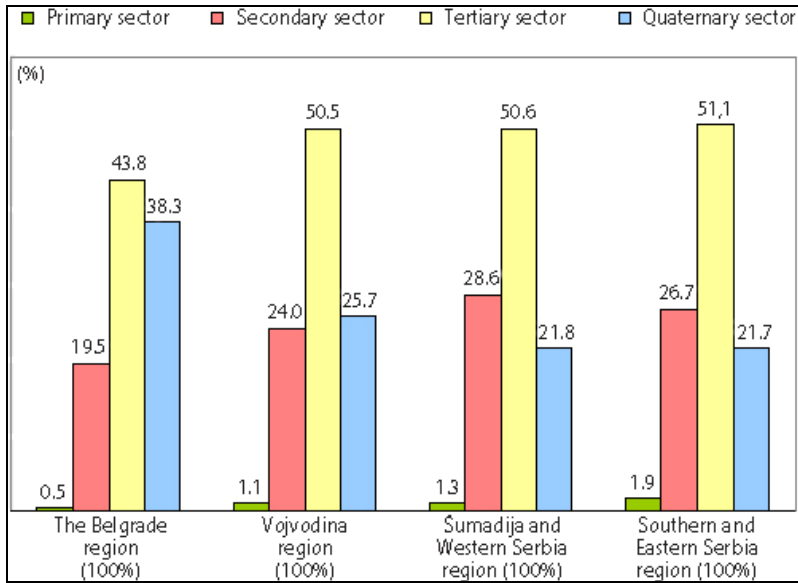


Figure 1. Sector structure of entrepreneurs, according to regions in 2014 (%) (Source of data: SORS, 2015a, according to the SBRA, 2014)

The data about the number of entrepreneurs per 1000 inhabitants according to areas (2013) (SBRA, 2014; SORS, 2014) show that entrepreneur concentration is the highest (higher than 4.5) in four out of nine areas total in Southern and Eastern Serbia region (Zaječar, Niš, Bor and Jablanica areas), as a result of low population numbers (traditionally depopulated areas). On the other hand, the lowest concentration of entrepreneurs (lower than 2.0) is present in six areas, also led by Southern and Eastern Serbia region (Toplica, Podunavska and Pirot areas); besides, there are also Šumadija, Južnobanatska and the Belgrade areas, where the low concentration of entrepreneurs is the result of the high population numbers, as well as the quaternary activity sector domination in the Belgrade area (region).

According to SORS data (2015b), the share of the entrepreneurs (people who do business independently), and their employees make 22.0% of the total employment in Serbia. This share varies, depending on the areas, from 16.0% to 35.5%. It is the highest in the Kolubarska area (35.5%), Jablanička, Raška,

Zlatiborska and Moravička area (about 30.0%), and it is the lowest in the Belgrade, Srednjobanatska and Severnobačka area (16-17%).

Spatial distribution of entrepreneurs and their employees per 1000 inhabitants in 2014 in Serbia (Figure 2) shows the highest concentration in Šumadija and Western Serbia region: the Kolubarska area (82). It is followed by Moravička (66) and Zlatiborska area (63). In Vojvodina region the concentration is the highest in Južnobačka area (65). The lowest concentration is characteristic of the peripheral areas - Srednjobanatska area (35), Pčinjska (36) and Severnobačka area (39).

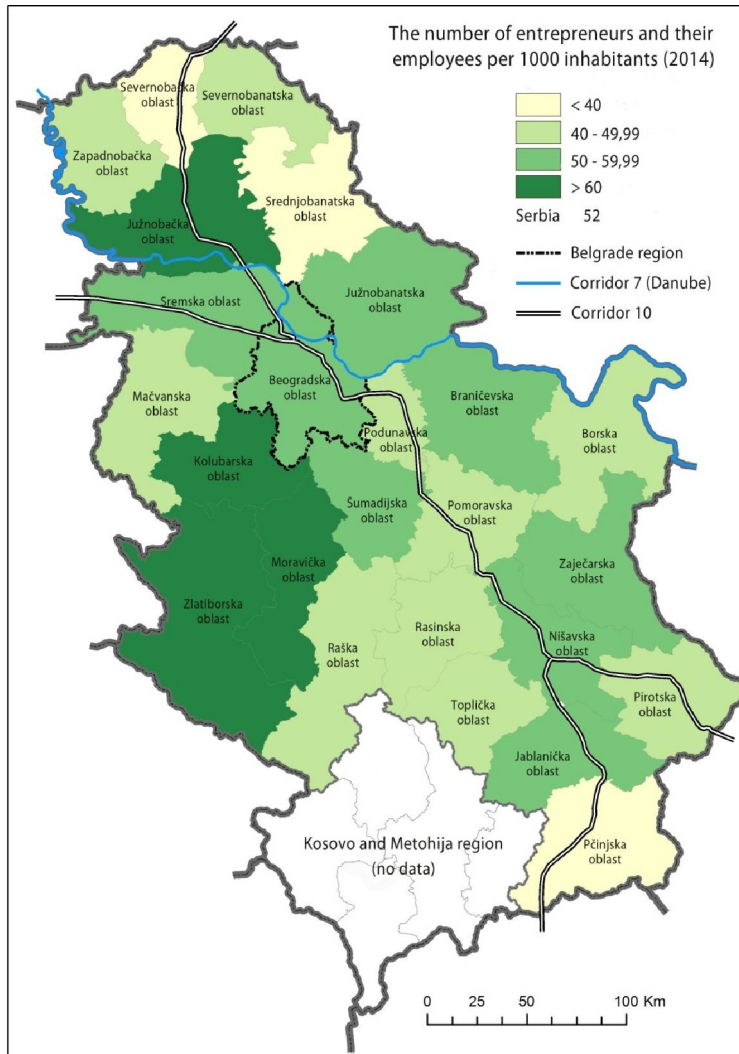


Figure 2. The number of entrepreneurs (people who do business independently) and their employees per 1000 inhabitants in 2014 (Source of data: SORS, 2015b)

From the above mentioned data, we can see that Kolubarska area has the best results in Serbia by both indicators, and the undeveloped areas — Severnobačka, Severnobañatska, Sredñjobanatska, Borska, Pčinjska and Pirotska are below Serbian average by both indicators. It is another signal for the economic policy creators to support these areas through infrastructure investments, entrepreneur initiative stimulation, population education, more favourable private sector credits and other measures which will contribute to the exit of these areas out of

the undeveloped area circle and put a stop to migrations towards regional centres and larger cities in the Republic.

The largest regional differences are connected to the difference between sector structures of the Belgrade region, and Šumadija and Western Serbia region; while the Belgrade region characteristics are services, predominantly in quaternary sector, secondary sector activities (production sector) are the characteristics of Šumadija and Western Serbia region. Therefore, Šumadija and Western Serbia region shows a larger potential and readiness for further entrepreneurship development, especially in the production sector, which used to be neglected in the economic policy of the transition period.

Entrepreneurship development — the priority of the economic policy in the future

According to the world aspirations, both in Serbian scientific public and among economic policy creators, entrepreneurship is considered as one of the key factors of the economic growth and employment generator. The government of the Republic of Serbia has adopted the Poverty reduction strategy (2003), in which entrepreneurship development is marked as an important element of the economic development in Serbia, as well as poverty reduction, defining self-employment and “start-up” as the key segments of entrepreneurship development. In the National strategy of sustainable development (2008), one of the priorities is competitive market economy development and balanced economic growth, and among the main activities for their realization are small and medium-sized company development, innovation incentive and entrepreneurship promotion.

Most countries in transition have accepted that SMEs are an essential part of economic reforms and that they are the generator of economic development (the Czech Republic, Hungary, Poland, Slovenia, Slovakia). So, for example, Slovenia has applied the concept of "dynamic concentric circles" which enables gathering of SMEs around a leading company. Poland created regional innovation strategies with the help of the Agency for the Development which encourages connections of networks of manufacturers, suppliers and retailers, the creation of joint marketing and similar benefits. In the Czech Republic, the agency for foreign investments coordinates the establishment of industrial zones and provides strategic investors. In Hungary, the development of SMEs is based on regional development strategies that seek to create a framework for networked economic development of the regions.

However, despite a wide proclamation for entrepreneurship support, Serbia is not so successful in new businesses and new workplaces creation, compared to other countries in transition. Even nowadays, as at the beginning of the period of transition, entrepreneurship is faced with a large number of problems such as (Union of Employers, 2013):

- lack of favourable sources of investment for SMEs sector development,
- high expense rate (fiscal and para-fiscal) which decreases goods and services competitiveness in foreign markets,
- complicated administrative procedures and corruption as an obstacle for the development of various activities (construction, trade, etc.),
- lack of good quality managers as a result of the gap between the educational system and labour market needs,
- low purchasing power of the population,
- insufficient support for production development on the part of the state and
- high level of “grey economy” in GDP.

Production entrepreneurship should be especially encouraged because it can contribute not only to financial stabilization, but also social and political stabilization, it opens new work positions, sets free creative energy in innovators, regains faith in abilities of an individual and prevents “brain drain”. Because of all these things, the focus of attention should be transferred from financial economy area to real economy area, material production before all else as soon as possible (Pokrajac, Dondur, Grbić, & Savanović, 2011).

It is necessary to introduce entrepreneurship into the education system, which will recruit a larger number of successful entrepreneurs and make it easier for them to manage their own business development. Entrepreneurship education has short-term and long-term effects in the society (Arasti, Kiani Falavarjani, & Imanipour, 2011), and higher education significantly improves the chances to enter entrepreneurship for business chances and ideas, not out of economic necessity (Grbović, Zakić, & Vukotić, 2013), which is a common example in Serbia, especially in the past years of crisis.

According to the study on young people employment and migrations in Serbia (Vladisavljević, Krsmanović, Stojanović, & Azanjac, 2010), entrepreneurship is seen more as a result of the *push* effect, that is, the need to work and survive, and less as a result of the *pull* effect, that is, the recognition of business opportunities and chances in the market. Young unemployed people have poor access to business information and even poorer or no access to resources,

capital, land and real estate ownership included. In Serbia, grant programmes without guarantees for beginners in business start-up are not yet developed enough.

Entrepreneurship can be the key factor in the changes desired, such as: labour productivity growth, product and service quality increase, competitiveness strengthening, better usage of the existing capacities, export increase, higher employment, public and foreign debt decrease, etc. In fact, only entrepreneurship can bring such desired dynamics into our economic life, regain population confidence, prevent migrations abroad, increase life quality for all people and set new social stratification standards based upon knowledge and productivity. Learning and knowledge can be best recognized in entrepreneurship as a true, fast and legal capital reproduction.

With the level of foreign debt in mind, GDP structure (almost two thirds realized in no tradable sectors), foreign debt deficit as well as negative environment results in 2015 (present international circumstances), it is clear that economic policy creators in Serbia have a very difficult task of preventing negative trends in economy before them, as well as entrepreneurship development and unemployment decrease. The regional aspect should have a more important significance in perspective because most of the private investments end up in Belgrade and Vojvodina territory, while the rest of the country has a relatively small share. Besides, the largest investment share still goes to no tradable sectors, such as banking, insurance, transport and communication, real estate and trade, but much smaller share goes to manufacturing industries.

Conclusion

Basic indicators of the economy in the period of transition show that the economic policy has not offered an adequate response to the problems our economy faced at the start of the transition period, so that our country was at the bottom of the European list according to various indicators after more than ten years of transition, with low level of life standard and high unemployment rate, exceptionally low GDP per capita, high foreign debt level, etc. This is proved by Serbia being ranked at 94th place according to the Global competitiveness report for 2014, made by the World Economic Forum.

Local authorities should take more part in economic and social infrastructure planning, management and maintenance, initiate and oversee the planning process, adopt local policies of environment protection with the appropriate laws and regulations, and also represent an important factor in the state regulation implementation. As the authority level closest to an ordinary person, local

authorities also have the most important role in public education and mobilisation for sustainable development implementation.

Although the creators of the economic policy in Serbia often stress the importance of entrepreneurship as one of the key factors in economic growth and an employment generator, entrepreneurship is still facing the same problems from the beginning of the period of transition. In the present conditions of the economy, only entrepreneurship can bring the dynamics necessary in the economic life, prevent migrations abroad, increase the quality of life level of the population, and generally, set the new standards of social stratification based upon knowledge and productivity. Learning and knowledge, especially in entrepreneurship, can be recognised in the best way as true capital, with its fast and legal reproduction.

Acknowledgements

This paper is the result of the research on the project III 47007, financed by the Ministry of education, science and technological development of the Republic of Serbia

References

- Arasti, Z., Kiani Falavarjani, M. & Imanipour, N. (2011). Teaching methods in entrepreneurship education: the case of business students in Iran. In H. Fulford (Ed.) *Proceedings of the 6th European Conference on Innovation and Entrepreneurship, Vol.1* (pp. 92–98). Aberdeen, Scotland, UK.
- Belkić, V. & M. Hrnjaz (2010). *Local economic development — European signpost towards modern local self-government (Lokalni ekonomski razvoj — evropski putokaz ka modernoj lokalnoj samoupravi)* Belgrade: Civil network.
- Blakely, E. & Brandshaw, T. (2002). *Planning Local Economic Development – Theory and Practice*. Thousand Oaks, CA: SAGE Publications.
- Bojović, J. (2011). *Local economic development in Serbia — handbook for practitioners (Lokalni ekonomski razvoj u Srbiji — priručnik za praktičare)* Washington, DC: The Urban Institute.
- Bygrave, W. D. & C. W. Hofer (1991). Theorizing about Entrepreneurship. *Entrepreneurship: Theory & Practice*, 16(2), 13–22.
- Čapkova, S. (2005). *Local Government and Economic Development*. Budapest: Local Government and Public Service Reform Initiative and Open Society Institute
- Cunningham, S. & Meyer-Stamer, J. (2005). Planning or Doing Local Economic Development? Problems with the Orthodox Approach to LED, *Africa Insight*, 35(4), 2.
- Dokić, D. (2015). Investment influence on budget income of local government units: an example of rural municipalities in the Republic of Serbia and the Republic of Croatia, *Matica Srpska Journal of Social sciences*, 152, (3/2015), 571–584,

- Furdell, P. (1994). *Poverty and Economic Development: Views From City Hall*. Washington, DC: National league of Cities.
- Government of the Republic of Serbia (2003). *Strategy for poverty reduction in Serbia (Strategija za smanjenje siromaštva u Srbiji)*. Belgrade: Government of the Republic of Serbia.
- Government of the Republic of Serbia (2008). *National strategy of sustainable development (Nacionalna strategija održivog razvoja)*. Belgrade: Government of the Republic of Serbia.
- Grbović, D., Zakić, N. & Vukotić, S. (2013). Women education in the function of female entrepreneurship development in Serbia. *4th International Balkan Countries Women and Business Conference*. Burgas, Bulgaria: Burgas Free University, International Women and Business Group.
- Hebert, R. & Link, A. N. (1989). In Search of the Meaning of Entrepreneurship. *Small Business Economics*, 1, 39–49.
- Kirzner, I. M. (1978). *Competition and Entrepreneurship*. Chicago, IL: University of Chicago Press.
- Miletić, R., Todorović, M., Miljanović, D. (2009). The access to underdeveloped areas in the regional development of Serbia, *Journal of the Geographical Institute "Jovan Cvijić" SASA*, 59(2), 149–171.
- National Bank of Serbia (2015a). *Debt analysis of the Republic of Serbia (Analiza duga Republike Srbije)*. Belgrad: National Bank of Serbia.
- National Bank of Serbia (2015b). *Statistical Bulletin: March 2015 (Statistički bilten: Mart 2015)*. Belgrade: National Bank of Serbia.
- Pokrajac, S., Dondur, N., Grbić, S. & Savanović, M. (2011). Production entrepreneurship as a possible way out of the economic crisis (Proizvodno preduzetništvo kao mogući izlaz iz ekonomske krize). *Ekonomski vidici*, 16(4), 719–733.
- Radovanović, V. & Maksimović, M., (2010). Labor market and (un)employment in the European Union and Serbia — Regional Aspects, *Journal of the Geographical Institute "Jovan Cvijić" SASA*, 60(2), 59–75
- Radulović, D. (2012). Policies and measures for the regional development in Serbia, Conference: *Measures for crisis overcoming – challenges, priorities and risks in the Republic of Serbia and Vojvodina Autonomous region 2013-2020, Recommendations for policy implementation in Serbia and Vojvodina 2013–2020* (pp 67–96). Novi Sad: Agency for Regional Balanced Development of the AP Vojvodina.
- Schwab, K. (ed.) (2014). *The Global Competitiveness Report 2014–2015: Full Data Edition*. World Economic Forum, Geneva.
- Serbian Business Registers Agency (2014). *The statement on business economy results in the Republic of Serbia in 2013 (Saopštenje o rezultatima poslovanja privrede u Republici Srbiji ostvarenim u 2013. godini)*. Belgrade: Serbian Business Registers Agency.

- Statistical Office of the Republic of Serbia (2014). *Municipalities and regions in the Republic of Serbia 2013. (Opštine i regioni u Republici Srbiji u 2013)*. Belgrade: Statistical Office of the Republic of Serbia.
- Statistical Office of the Republic of Serbia (2015a). *Statistical Yearbook of the Republic of Serbia 2015. (Statistički godišnjak Republike Srbije 2015)*. Belgrade: Statistical Office of the Republic of Serbia.
- Statistical Office of the Republic of Serbia (2015b). *Municipalities and regions in the Republic of Serbia 2014. (Opštine i regioni u Republici Srbiji u 2014)*. Belgrade: Statistical Office of the Republic of Serbia.
- Stevenson, H. H., & Jarillo J. C. (1990). A Paradigm of Entrepreneurship: Entrepreneurial Management, *Strategic Management Journal* 11, 17–27.
- Union of Employers of Serbia (2013). *Employers` attitude towards business environment (Stavovi poslodavaca o poslovnom okruženju)*. Belgrade: Union of Employers of Serbia.
- Vladislavljević, A., Kršmanović, B., Stojanović, M. & Azanjac, T. (Eds.). (2010). *Report on employment and migrations of young people in Serbia 2010 (Izveštaj o zapošljavanju i migracijama mladih u Srbiji 2010)*. Beograd: Građanske inicijative.
- Vojnović, B., Cvijanović, D. & Stefanović, V. (2012). *Razvojni aspekti turističke delatnosti*, Beograd: Institut za ekonomiku poljoprivrede.
- Vukotić, S., Aničić, J. & Laketa, M. (2013). Clusters as a Part of Improvement Function of Serbian Economy Real Sector Competitiveness, *Amfiteatru Economic*, 15(33), 224–245.
- World Bank (2014). *Doing Business 2015: Going Beyond Efficiency*. Washington, DC: World Bank.