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SUSTAINABLE LOCAL ECONOMY – ENTREPRENEURSHIP IN RURAL TOURISM

Dora Smolcic Jurdana

**ΕΥΡΩΠΑΪΚΟ ΚΕΝΤΡΟ ΑΡΙΣΤΕΙΑΣ JEAN MONNET
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Sustainable Local Economy – Entrepreneurship in Rural Tourism

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ABSTRACT:

The importance of developing entrepreneurship in tourism in rural areas is reflected in the conservation of traditional customs, culture and gastronomy; in encouraging residents not to leave rural areas; and in raising quality of life in the countryside. Developing entrepreneurship in rural areas, particularly entrepreneurship in tourism, is an excellent way to enhance the quality of living standards of rural residents, while providing urban dwellers with opportunities for staying in rural areas. Entrepreneurship in rural tourism is poorly developed as a result of a long process of neglecting rural areas and focusing efforts on coastal tourism in Croatia. Consequently, the thematic offering of family farms is insufficiently developed and there is a no systematic approach to promoting family farms

The purpose and aim of this paper is to analyse the characteristics of entrepreneurship in rural areas in two Croatian counties to obtain a clearer picture of the state of entrepreneurship, which could ultimately serve as a platform for future plans for entrepreneurial development in rural areas.

Research was carried out on a sample of 200 entrepreneurs in rural areas of two Croatian counties (Primorje-Gorski Kotar County and Istria County). The limitations of the research include the size of the sample, as well as the fact that research did not include the opinions of guests who chose services and facilities in rural areas. Future research would need to study that segment by continuously surveying the attitudes of both guests and destination managers, taking into account all stakeholders in a destination.

KEYWORDS: rural tourism, community development, entrepreneurship, sustainability

TABLE OF CONTENTS

INTRODUCTION	3
1. Defining the rural area	4
2. Rural tourism and types of rural tourism	8
3. The importance of entrepreneurship in rural tourism	12
METHODOLOGY	13
RESULTS AND FINDINGS	14
CONCLUSION	18
REFERENCES	19

INTRODUCTION

Entrepreneurship in Croatia's rural areas and, in turn, tourism development in those areas, have a short history (Mišćin and Mader, 2008). The utilisation levels of both the available workforce and available resources are low, and greater commitment to tourism in rural areas is essential to create new jobs and generate income for family farms (Ministarstvo poljoprivrede, šumarstva i ruralnog razvoja Republike Hrvatske, 2014). Entrepreneurship in Croatia's rural tourism is poorly developed as a result of a long process of neglecting rural areas and because the tourism industry in Croatia is focused on seaside tourism.

The demand for services in rural tourism and a growing desire of people to spend time in the outdoors, take part in traditional customs, and taste indigenous food are encouraging more and more entrepreneurs to start their own businesses in rural areas. Entrepreneurship (micro and small) is seen as a promising way of developing rural areas (Fuller-Love et al., 2006, Skuras et al., 2003) and a tool for creating jobs for residents and improving their quality of life (Irvine and Anderson, 2004), all the more so because of the general upward trend in the share of self-employed persons in entrepreneurship in rural areas (Blanchflower and Oswald, 1998).

The basis for successful entrepreneurship in tourism in rural areas is seen in taking advantage of opportunities for further diversification, strengthening partnerships, and embracing and providing education on new technologies that can help to create an approach to winning new markets and, consequently, building competitiveness (Fuller-Love et al., 2006).

Listed among the most important success factors are motivation, personal inclination, the wish to be independent, and the need to become "my own boss" and "run my own show" (Vaught and Hoy, 1981).

The characteristics of successful entrepreneurs are reflected in (Megginson, 1997):

- a desire for independence
- a strong sense of initiative
- motivation
- expecting quick and concrete results
- making their own business decisions
- entering business by chance or by design.

Generally speaking, many authors have dealt with the characteristics of entrepreneurs. In his book *Innovation and Entrepreneurship*, Peter Drucker (1992) takes a close look at this area. Highlighted among the characteristics of entrepreneurs are innovativeness, reasonable risk taking, self-confidence, hard work, an ability to set goals, and responsibility.

When considering the characteristics of managers (owners, entrepreneurs), education, family tradition, age structure, gender structure and other features are often taken into consideration. Earlier research showed that entrepreneurs have a lower level of education, while recent studies point to a higher level, in some cases, the level of master (or doctor) of science (Perić and Milohnić, 2004; Cerović et al., 2014)

Across the rural regions of the developed world the issues of population decline, economic change and community regeneration are almost universal. The powerful trends of industrialisation and urbanisation have steadily altered the economic and political position of rural society (Lane, 1994). In Croatia, as well, rural areas have been out of public interest for a long time and that resulted with high unemployment rate and consequently depopulation of these rural areas. Rural development through tourism has been regarded as one of the most effective strategies to revitalize rural areas (Petrić, 2006., Lee, 2009.). Since rural tourism sector is becoming growing business in all developed countries (Yagüe, 2002., Leurerio, 2008., Koster, 2009., Lee, 2009., Chuang, 2010.) there are new challenges arising in presenting new services and products which are available to fulfil arising rural tourism demand. For rural areas, which were or still are economically and socially depressed, increased tourism activity is playing a key role in their development.

1. Defining the rural area

Neglecting the development of rural regions has contributed to the creation of a growing gap between rural and urban areas in Croatia as well as in other European countries. Considering the high share of rural regions, which, since 2007, exceeds 90% of the total territory of the 27 EU Member States and 56% of their populations, the revitalization of rural areas is a necessity. (2007-2013 Rural Development Strategy of the Republic of Croatia).

Across Europe, rural areas are characterised by a lack of steady income, a high average population age, a low educational level, neglected architectural heritage, an insufficient level of basic services and infrastructure and unresolved property relations. (Rural Development in Croatia 2011; Fuller-Love, Midmore, Thomas, Henley, 2006). As a result of these characteristics, rural settlements are falling into disrepair and the younger, working-age population are leaving. These facts point to the need of putting in place an economic orientation that would bring about the revitalization of rural space and help to keep local residents in rural areas (Smolčić Jurdana, Milohnić, Uljančić, 2009). Recent times have seen significant changes in the EU rural development policy, which aims to reinforce rural development, free markets and regional integration by implementing a large variety of programmes, measures and instruments. (Dimitris Skuras, Caldas, Meccheri, Psaltopoulos, Lourdes, 2003; Hall and Jenkins 1997)

According to the research of a number of authors (Fuller-Love, Midmore, Thomas, Henley, 2006; Dimitris Skuras, Caldas, Meccheri, Psaltopoulos, Lourdes, 2003) small

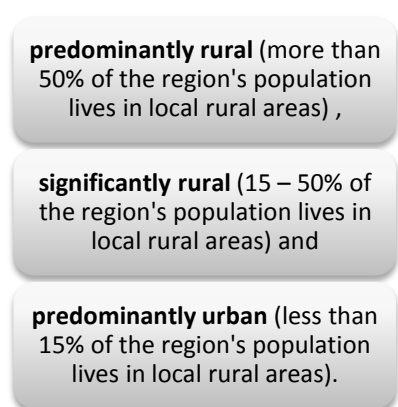
and middle-sized entrepreneurship is seen as a promising way of developing rural regions and a tool for generating jobs for residents and enhancing their quality of life. Wilson and Anderson (2004) argue that the existing differences between rural and urban areas can be reduced by developing tourism and stress that the development of rural areas depends upon small tourism enterprises.

The development of small tourism enterprises needs to be viewed primarily through the importance they have in interacting agricultural production, the production of traditional products, the presentation of traditions and traditional gastronomy, and tourism services, by using the existing resources of rural space and the countryside, as its constituent part.

In Croatia, differences between rural and urban areas are based on territorial division: small administrative units and municipalities are considered to be rural, while towns are seen as urban regions. Based on this administrative criterion, the rural population accounts for 29.6% (1,268,752 inhabitants in 429 municipalities), and the urban population, for 70.4% (3,016,137 inhabitants in 127 towns and cities) of the country's total population of 4,284,899 inhabitants (Croatian Bureau of Statistics (CBS), 2011 Census). Croatia has a low average population density of 78 inhabitants/km² (CBS, 2011). Population density, however, varies greatly. By county, the County of Lika and Senj has the lowest population density (10 inhabitants/km²), while the City of Zagreb has the highest (1,232 inhabitants/km²). (CBS, 2011)

The most commonly used and internationally recognised criterion for distinguishing between rural and urban areas is the OECD definition based on population density. At the local level (LAU = Local Administrative Unit, municipalities and towns in Croatia), areas are classified as rural or urban based on a threshold of 150 inhabitants/km². At the regional level (NUTS-3 – counties in Croatia), the OECD defines three groups of areas, depending on the share of a region's population living in local rural areas, as illustrated in Figure 1.

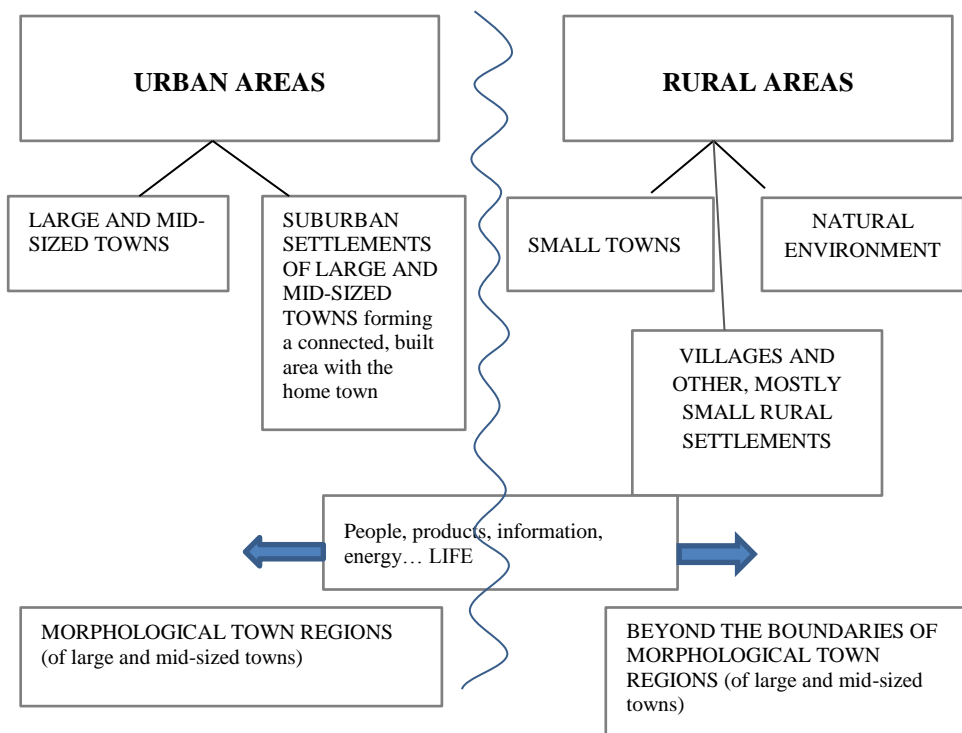
Figure 1. Regional areas according to OECD criteria



Source: Rural Development Strategy of the Republic of Croatia, <http://www.mps.hr/default.aspx?id=3652>, 21 March 2014

For the needs of implementing rural development measures and according to the separate application of the original OECD methodology, all local self-government units in Croatia belonging to predominantly rural or mixed counties (NUTS-3) are considered rural or mixed areas. The units that are an exception are the City of Zagreb, the City of Split, the City of Rijeka and the City of Osijek. Because of the large size of settlements/seats, all settlements administratively encompassed by these units, with the exception of the settlements/seats themselves (Zagreb, Split, Rijeka and Osijek), are considered as being rural or mixed. Settlements/seats are seen as city areas of urban agglomeration. Thus defined rural and mixed areas encompass the space of villages, mixed settlements, small and middle-sized towns – that is, the space of complex social and economic structures – as well as the mosaic of landscapes, in which there are a number of other economic activities and uses in addition to agricultural production and forestry. A total of 3,217,117 inhabitants (**75.08% of the entire population**) live in these areas which cover 56,164 km² (**99.24% of total surface area**). (Ministry of Agriculture, 2014).

Figure 2. Differentiation of urban and rural areas



Source: www.strukturnifondovi.hr, 22 March 2014

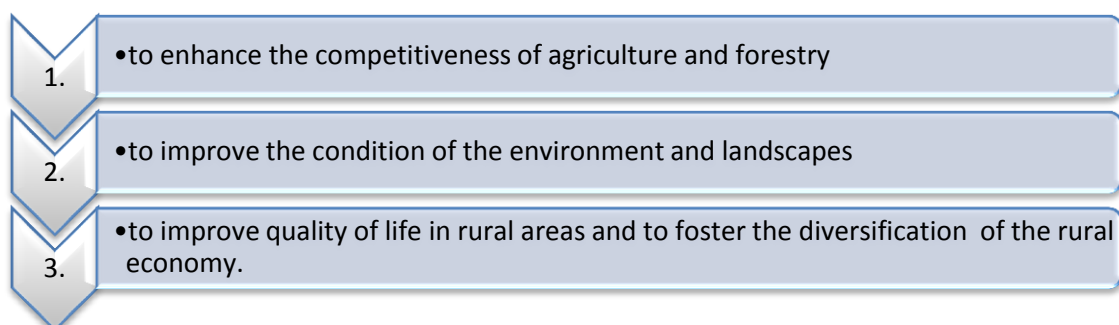
Figure 2 illustrates the characteristics of urban and rural areas, their differences and their interrelationship. The fundamental differentiation criterion is clearly settlement

size by number of inhabitants, followed by the criterion of environment and the criterion of the activities of inhabitants.

Because of the lack of steady income (the countryside accounts for as little as 5.1% of the total number of employed persons), a high average population age, a low educational level, neglected architectural heritage, an insufficient level of basic services and infrastructure and unresolved property relations (landed property, real estate, and other property), rural settlements are falling into disrepair and the younger, working-age population are leaving. (Pavić-Rogošić, 2011)

In rural areas that have, since 2007, accounted for more than 90% of the total area of the 27 EU Member States and 56% of their populations, the need to reinforce rural development policies is gaining importance and is a major EU development priority. In the fifty years of implementing the Common Agricultural Policy (CAP), the development of rural areas traditionally relied on agricultural production as the main engine of economic growth. Following substantial changes made in the 2003-2004 period, CAP shifted away from a policy supporting agricultural production towards a policy focused on enhancing product quality, addressing market challenges, taking advantage of new development opportunities and ensuring environmental conservation. This turnabout was followed by crucial changes to rural development policies in the period 2007-2013, focusing on three major objectives as presented in Figure 3.

Figure 3. Primary objectives of rural development of the EU 2007 – 2013 Common Agricultural Policy



Source: 2007 – 2013 Rural Development Strategy of the Republic of Croatia, p. 9, <http://www.mps.hr/default.aspx?id=3652>, 21 March 2014

Member States and regions are obliged to ensure that the rural development policy is consistently implemented by appropriately allocating funds to all three thematic areas listed above. Additionally, they also need to ensure funds for the implementation of the LEADER initiative. Launched in 1991, this European model of rural development is grounded on a bottom-up approach, on respect for special local attributes, and on setting up local development partnerships (LAGs – Local Action Groups) in which representatives of all three sectors participate in development and in the implementation of local development strategies. These strategies are carried out

through projects focused on resolving specific local issues. (Ministry of Agriculture, 2014).

In accordance with the proposed variables, URBAN settlements are (Croatian Bureau of Statistics, 2011):

1. all settlements that are seats of administrative cities (regardless of the number of inhabitants)
2. all settlements with more than 10,000 inhabitants
3. settlements with a population ranging from 5,000 to 9,999, with 25% or more of the population employed in the place of residence, particularly in secondary and tertiary industries (relative to the total number of employed inhabitants in the settlement)
4. settlements with a population ranging from 2,000 to 4,999, with 25% or more of the population employed in the place of residence, particularly in secondary and tertiary industries (relative to the total number of employed inhabitants in the settlement) and with 50% or more of non-agricultural households.

All other settlements that do not meet the above criteria are considered RURAL AND SEMI-RURAL settlements. This category includes villages and other, more or less urbanized settlements in rural areas, as well as suburban settlements.

2. Rural tourism and types of rural tourism

Tourism in rural areas is expressed through various form such as *eco-tourism, farm-based tourism, agritourism, rural tourism, farm household tourism, tourism on family farms, eco-rural tourism and other forms*. Rural tourism takes places on family-run farms and is based on the use of rural space in a tourism-offering context. It involves activities outside of urban settlements or tourism facilities and does not have the features of mass tourism. Rural tourism facilitates the development of new tourist destinations by developing continental tourism. Its focal points are family-run farms whose livelihood is based on agricultural and which use tourism as a new sales channel to market the surplus of their produce. It is relevant to note that family-run farms generate additional income in their own backyards, implying the active participation of all family members. In addition to selling their own produce, family-run farms also generate income by providing accommodation services, and food and beverage services, and by organizing a variety of activities (feeding and caring for domestic animals; taking part in harvesting, wine-making and distilling brandy; horseback riding, etc.) Rural tourism contains an aspect of sustainable tourism that does not harm the environment and, as a rule, encourages organic farming.

According to the general definition of the Council of Europe, rural tourism refers to tourism in rural areas together with all the activities that take place at those locations; its most important features include peaceful surroundings, the absence of noise, a

preserved environment, communication with hosts, home-made dishes and learning about farm work. The development of rural tourism is based on sustainable development and on the revitalisation of existing traditional architecture and heritage by giving it new use in tourism purposes. At the same time, unlike other commonly known forms of tourism, rural tourism does not require the construction of new facilities; on the contrary, its challenge is how to make the best and most efficient use of existing structures. (Mesarić Žabčić, Rebeka, 2008)

Rural tourism involves a spectrum of activities, services and facilities organised by rural residents, mostly on family-run farms, with the aim of attracting tourists to their area and generating additional income. Rural space is the fundamental resource for developing rural tourism and possesses huge potential in meeting the needs of the city population for peace and recreation in the outdoors. Rural tourism also includes visits to national parks and nature parks and other heritage spots in the rural area, taking scenic drives, enjoying the rural landscape and staying on tourist farms. (Mesarić Žabčić, Rebeka, 2008)

Farm tourism refers to providing tourism and hospitality services as well as other activities on family-run farms that are open to day-trippers and tourists. Registered family-run tourist farms have been experiencing an upward growth trend and steady development for the past ten years since the Register has been maintained.

Important motivations for tourist arrivals to rural areas include (Mesarić Žabčić, Rebeka, 2008):

- the wish to come into contact with, and learn more, about life and tradition in the countryside and have genuine experiences,
- visiting friends or relatives,
- recommendations from friends and relatives,
- choosing a themed package deal that includes activities in rural areas,
- exceptional promotion via media,
- in some cases, the motivation is wanting to choose more affordable holidays (although rural tourism may also be quite expensive),
- the wish to relax in the peace and quiet of the countryside,
- the desire to explore rural culture (history, architecture, festivals, customs) and be a part of the cultural ambience while staying in a rural setting, and
- the back-to-nature wish, back to an environment that differs significantly to that of everyday life.

Rural tourism should be developed according to the **concept of sustainable development**, which fosters controlled growth and development through the conservation and rational use of resources to the greatest extent possible, thus ensuring long-term economic and social development. Any development that could disrupt the economic, social and ecological basis in the long run is not based on the principles of sustainability.

Rural tourism is developed in a variety of forms both on farms, one of the most distinctive forms being farm tourism (agritourism), and in the rural area outside family farms (Ružić, 2005).

Agritourism

Agritourism or **farm** tourism is a form of vacationing on farms (registered family-run agricultural holdings, agricultural sole proprietor, agricultural limited liability company or stock company) which involves the use of services providing accommodation, food and beverages, entertainment, recreation, etc. in family houses or other accommodation facilities (campsites, guest houses, hotels) within the framework of the farm.

Depending on the type of services provided, there are three forms of agritourism (Ružić, 2005):

- agritourism providing only food-and-beverage services,
- agritourism providing only accommodation services and
- agritourism providing food-and-beverage services together with accommodation services.

According to types of facilities, agritourism may offer vacations in (Ružić, 2005):

- rural houses of traditional architecture,
- family-run rural hotels,
- rural rooms and holiday-flats in buildings of traditional architecture,
- rural rooms and holiday-flats in buildings of new architecture and
- agricultural holdings that provide an eco-offering.

In agritourism, tourists generally tend to spend most of their time on the farm, although they also take time to visit the environs to engage in recreational activities, visit natural and cultural attractions, and participate in cultural, religious, folk, sports and other events. Farm vacations enjoy great popularity, especially among people living in large urban centres, who yearn for the outdoors, and the wholesome and diverse natural world. Vacations involving a preserved environment, clean air, hikes and other activities in a peaceful and pleasant setting are in much demand as a counterbalance to the daily stress experienced by city dwellers. (Ružić, 2005)

Other forms of tourism in rural areas

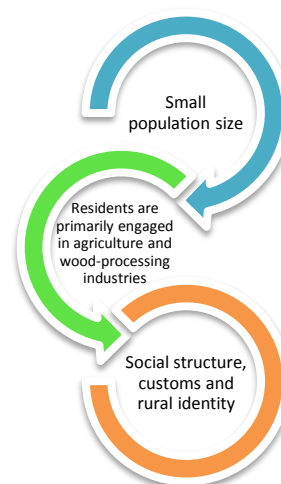
The common forms of rural tourism are those in which tourist traffic is recorded in accommodation facilities located in countryside settings (campsites, hotels, holiday-flats, residential buildings). There are, however, forms of rural tourism which make it difficult to record tourist traffic. Such forms are: (Ružić, 2005)

- residential tourism
- homeland (nostalgia) tourism
- sports and recreational tourism
- adventure tourism
- health tourism

- cultural and spiritual tourism
- hunting and fishing tourism
- food and wine tourism
- close-to-nature and eco-tourism
- educational tourism
- transit tourism
- camping tourism
- nautical tourism
- mixed-interest tourism and other forms of rural tourism.

In addition to the forms listed above, other forms of tourism can also be developed within rural tourism. Forms that are very popular include photo safaris, bird or animal watching, wildlife tracking, exploring wildlife habitats, looking for and watching bird nests, watching bees swarming, etc. These forms overlap with eco-tourism, close-to-nature tourism and educational tourism. (Ružić, 2005)

Figure 4. Characteristics of rural areas where rural tourism is developed



Source: Bramwell, B., Lane, B.: Rural Tourism and Sustainable Rural Development. Channel View Publication, University College Galway, Ireland, 1994, p. 12.

Often missing in rural areas is a development approach capable of transforming rural areas into rural tourist destinations. Such a transformation process requires the following basic elements (Smolčić Jurdana, Milohnić, Uljačić, 2009):

- Marketing activities need to be organised in such a way so as to ensure the product is successfully promoted and to influence the attitudes and behaviour of consumers by drawing a picture of “experiential” tourism.
- Quality controls and basic quality measures for accommodation and food-and-beverage services need to be put in place.
- Organisations (partners) are needed that can design attractions as integral part of the rural tourism product, as well as design and shape the product for the market.

- An effective link between food production and tourism is required, with tourism being used as a marketing tool, particularly for products that are not in great demand.

Rural tourism has a promising future because working city people are becoming ever more alienated from nature. Losing touch with the natural environment, eating industrially processed food, and suffering pollution by smog, noise and artificial lighting are the cause of discontent in modern people who increasingly choose to spend their vacations in a countryside setting where they can find peace and quiet, restore their strength and learn about a different way of life. Tourists often want to try their hand at working around domestic animals, in vegetable gardens or helping with food preparation. On the other hand, although work on the farm often begins in the early morning and lasts long into the evening, farm owners find satisfaction not only in their own work and results but also in the satisfaction of guests.

Despite obstacles to defining the rural area, rural tourism as a phenomenon and the basic characteristics that determine it, and despite difficulties in setting up a satisfactory legal framework, tourism and entrepreneurship in tourism in rural areas have all the preconditions and prospects needed to grow and develop.

3. The importance of entrepreneurship in rural tourism

Rural tourism can contribute substantially to economic development. More so, rural tourism development is also linked to economic development through other, no less important contributions to the prosperity of the rural community and the quality of life of residents (Smolčić Jurdana, Milohnić, Uljačić, 2009):

- It helps revitalise rural communities.
- It reduces emigration (especially of young people) to towns.
- It opens up areas for new entrepreneurial opportunities.
- It has a positive effect on the conservation of local culture, tradition and heritages (historical buildings or sites, festivals, traditional food, music, dance, customs, trades and crafts...).
- It creates new market opportunities for the producers of agricultural products.
- It encourages improvements to the infrastructure.
- It generates demand for local products (honey, cheese...).

The demand for services in rural tourism and a growing desire of people to spend time in the outdoors, take part in traditional customs, and taste indigenous food are encouraging more and more entrepreneurs to start their own businesses in rural areas. Many prospective entrepreneurs are inspired by the positive examples of existing owners of rural holiday homes, family-run farms, agritourism establishments and similar facilities.

METHODOLOGY

In accordance with the primary objectives of this paper, the opinions of entrepreneurs, whose business activities are tied to rural tourism areas, were surveyed. Concurrently, a vision of the plan and strategic orientation of their business facilities was created and areas of business were identified where respondents wish to acquire new knowledge and skills to improve their performance.

For the purpose of research, a structured questionnaire was designed, consisting of 69 questions divided into seven groups. The aim of the first group of questions was to understand the socio-demographic profile of entrepreneurs in rural tourism areas. Within this group were also questions asking respondents to define the special features of business operations in their facilities. Economic indicators of performance (revenue, planned investments, etc.) were examined by the second group of questions, while the third group consisted of rating-scale questions focused on analysing the respondents' psychological profile, educational background and work experience. The fourth group investigated the motivations for starting entrepreneurial businesses specific to rural tourism. The fifth set of questions, based on a rating scale, required the respondents to make a self-evaluation of their competencies in several key business segments. The willingness of respondents to acquire new knowledge and skills was analysed by the sixth set of questions, while the seventh group examined the respondents' level of satisfaction with their overall performance.

The survey was conducted in August 2014 on a sample of 200 entrepreneurs (100 from Primorje-Gorski Kotar County and 100 from Istria County) using the interview method and a self-administered questionnaire. Data were processed using the statistical software package SPSS Version 22.

Primorje-Gorski Kotar and Istria County represents the most development tourist regions in Croatia, where 48% of tourism traffic is realized.

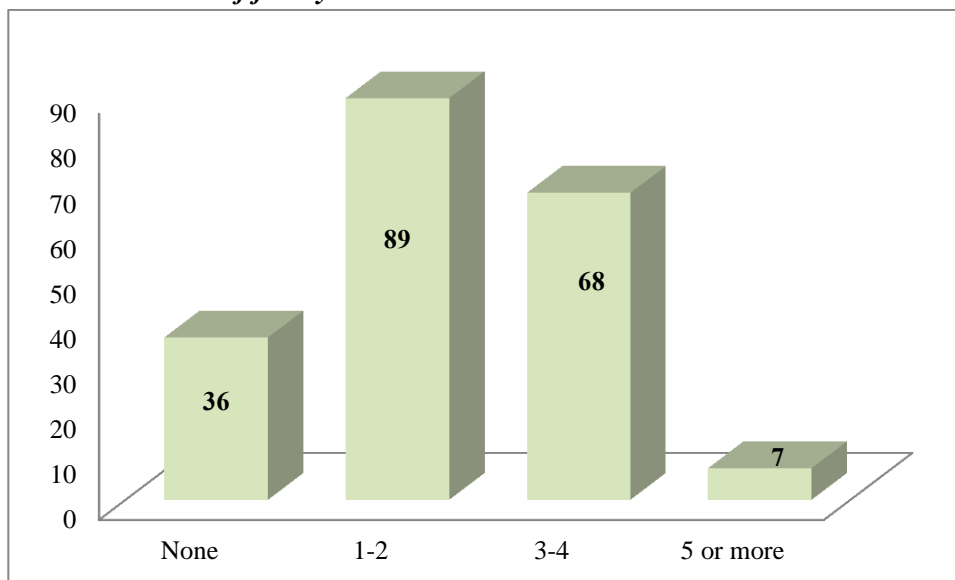
Entrepreneurship in tourism in rural areas was researched within the framework of "Hint Lab – Encouraging entrepreneurship in tourism in rural areas", a project funded by the Slovenia-Croatia European Territorial Cooperation programme. The aim of research was to identify opportunities for encouraging the growth of small and middle-sized entrepreneurships to help generate new jobs and prevent "brain-drain".

RESULTS AND FINDINGS

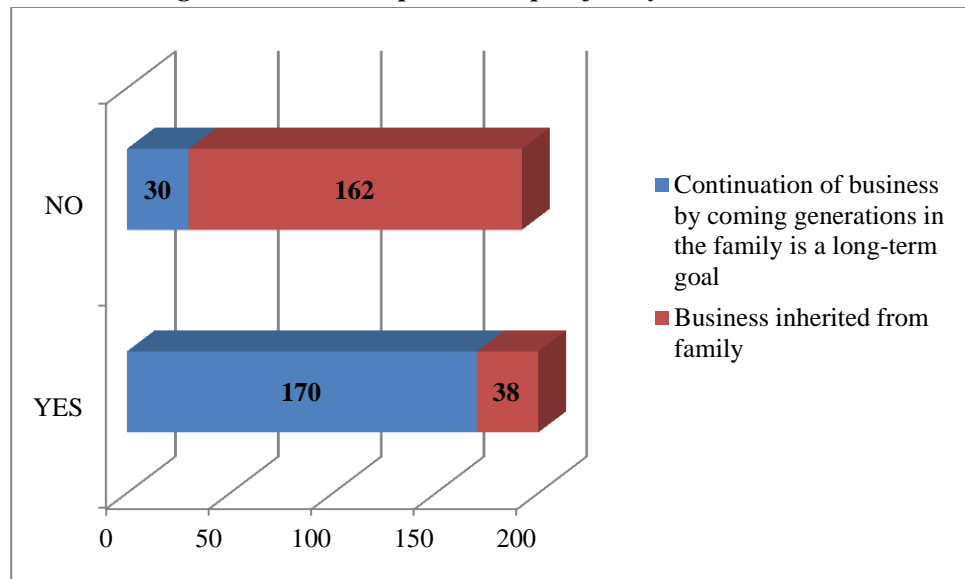
Family involvement in the business

A principle feature of entrepreneurship in rural areas is that in addition to involving the individual entrepreneur, it also involves the entrepreneur's entire family. These entrepreneurial projects ensure self-employment and generate income to meet human needs. This section presents data on family involvement in business, financial aid received, business consulting services used, realized income and investments planned in the next year.

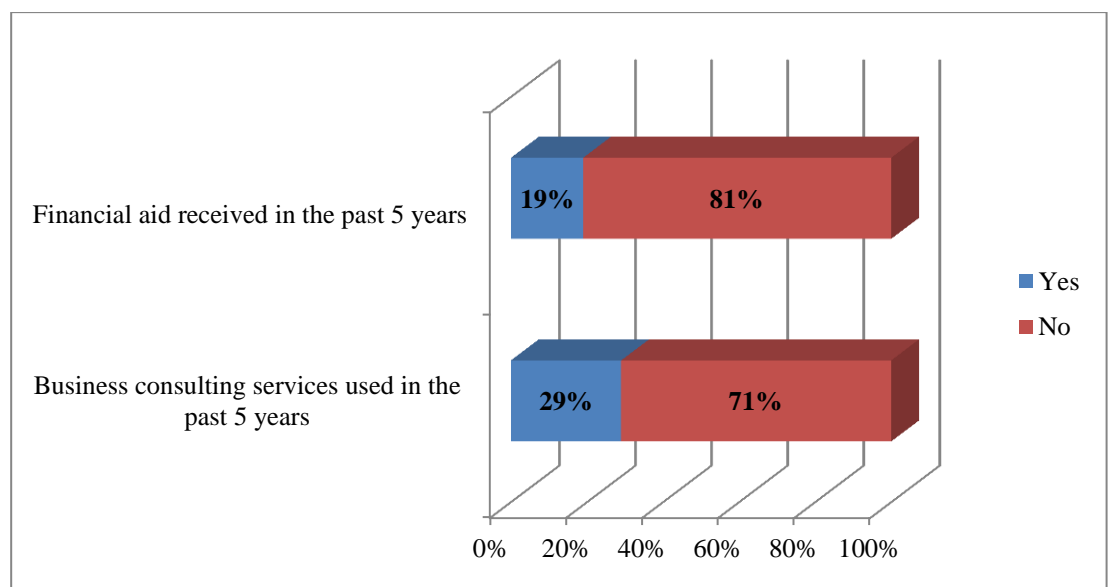
Chart 1: Number of family members involved in the business



Entrepreneurs in rural areas involve their family members in the business. According to data in Chart 1, only 18% of entrepreneurs do not involve family members in their businesses. A total of 89 entrepreneurs (45%) involve one to two family members, while 68 entrepreneurs (34%) run their business together with three or four members of their family. The least number of entrepreneurs (only seven) employ five or more family members.

Chart 2: Intergenerational entrepreneurship in family businesses

When asked whether their long-term goal was to ensure the continuation of their business into the next family generations, 85% of respondents responded affirmatively, while only 15% stated that they do not intend to surrender their business to the younger generation. To the question of whether they inherited the business from their family, most of the entrepreneurs surveyed (fully 81%) responded that they did not. Despite the popular notion that private businesses are passed down from one generation to another, especially in rural regions, the fact is that most entrepreneurs belong to the first generation to start a business. Only 19% of respondents do not belong to the first generation because they inherited the business from their parents. Of this percentage, 33 entrepreneurs belong to the second generation and five, to the third generation.

Chart 3: Financial aid received and consulting services used in the past five years

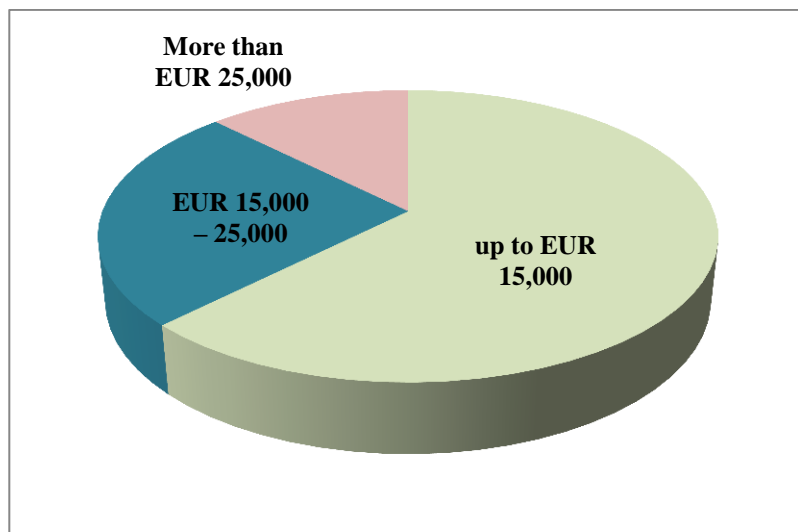
Most of the surveyed entrepreneurs did not receive financial aid for their businesses in the past five years. According to Chart 3, the major proportion of respondents (81%) received no financial aid, while only 19% did. The reason for such a low percentage of financial aid recipients is probably that potential recipients are poorly educated in how to apply for financial aid. Concerning the use of business consulting services, for the most part, the surveyed entrepreneurs in Primorje-Gorski Kotar County and Istria County do not use the services of entrepreneurial business consultants. Most respondents (71%) gave a negative response to that question, while only 29% of entrepreneurs have availed themselves of such services in the past five years.

Business consultants either are not doing their jobs or are not able to reach prospective clients. Public institutions, chambers and ministries are the ones that should be engaged in providing business consulting services by organising “on the spot” field “training” and consulting.

Data on the amount of aid received show that in the past five years 37 entrepreneurs have been recipients of financial aid. Entrepreneurs are classified according to the amount of aid received: 18 entrepreneurs received financial aid up to the amount of EUR 5,000; 17 received from EUR 5,000 to EUR 20,000; while the smallest portion of entrepreneurs (only two) received more than EUR 20,000 in financial aid.

Chart 4 demonstrates that the majority of entrepreneurs surveyed (fully 89%) operated at a profit, while only a small percentage (11%) operated at a loss in the previous year. These facts point to the profitability of entrepreneurial ventures in rural areas and to a high level of business performance.

Chart 4: Annual revenue in 2013



With regard to the income of entrepreneurs in rural areas, the largest percentage of entrepreneurs (62%) earned an income of up to EUR 15,000. A quarter of the entrepreneurs surveyed belong to the income category of EUR 15,000 to EUR 25,000, while entrepreneurs earning an income greater than EUR 25,000 were the least in number (13%). Hence, most entrepreneurs earn an annual income of HRK 100,000. When high facility-maintenance costs are taken into account, it is clear that this amount

is not enough to support all family members but, rather, serves as a source of additional income. However, if entrepreneurs were to invest more money in enhancing the quality and range of services provided in facilities in rural areas, their income would also grow accordingly.

Given the low level of annual earnings and despite the lack of variety in services provided, most entrepreneurs (41%) do not plan to invest in their businesses in the coming year. Seventy-eight entrepreneurs (39%) plan to invest up to EUR 15,000, while only a very small number (40 entrepreneurs or 20%) intends to invest more than EUR 15,000 into their businesses. New investments will help entrepreneurs enhance the quality of existing products and services and introduce new ones, with the aim of increasing the satisfaction of current clients and attracting new clients, which will consequently help earn greater profits. Accordingly, more entrepreneurs should seek to invest money into their businesses. The authorities at the national as well as the local levels should implement incentive measures to actively stimulate investment.

In summary, the features specific to entrepreneurship in rural areas are the predominance of small and family-run entrepreneurial businesses with no additional workers employed (Fuller-Love, Midmore, Thomas, Henley, 2006; Fleischer, Rotem and Bain 1993) and the fact that the business is largely the owners' only job (Dimitris Skuras, Caldas, Meccheri, Psaltopoulos, Lourdes, 2003). Entrepreneurship encourages self-employment, which has a direct effect on lowering the unemployment rate thus increasing the quality of life of residents. This is supported by the fact that the percentage of self-employed persons in entrepreneurial businesses in rural areas has shifted considerably in the past decade and has a growth rate of 2.9% (Blanchflower and Oswald, 2004).

CONCLUSION

Rural tourism has a promising future because working city people are becoming ever more alienated from nature. Losing touch with the natural environment, eating industrially processed food, and suffering pollution by smog, noise and artificial lighting are the causes of discontent in modern people who increasingly choose to spend their vacations in a countryside setting where they can find peace and quiet, restore their strength and learn about a different way of life.

Family micro entrepreneurship in tourism plays a crucial role as a “social shock absorber”. A part of the working age population are losing jobs in all industries for a variety of reasons, ranging from a poorly-conceived privatization model to the consequences of economic crisis and outsourcing production to the Far East (shipbuilding, textile industry, processing industries...). Some jobless people resort to starting an entrepreneurial business based on their personal assets. Also, a large number of young educated people, who find no job opportunities after finishing school, take a self-help approach to the problem and become self-employed on the homestead. That is how most of the entrepreneurial ventures of family micro entrepreneurs get started.

Often cited obstacles to developing micro, small and middle-sized entrepreneurship in Croatia include overly demanding legislation, the slowness of the public sector to help provide information needed by entrepreneurs, all too often changes in business regulations and conditions, tax burdens and poorly designed infrastructure needed for starting entrepreneurial activities (economic zones with required facilities, open channels for communicating with the market, transparency in demand for jobs, etc.). It is well known that in respect of these parameters Croatia has a rather low ranking on a world scale. The greatest problems encountered by micro entrepreneurs are created by the country's complicated tax and accounting system that is subject to frequent change.

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