



## Background

Aging population, small-scale agriculture, bad infrastructure and migration may hinder the necessary economic development in rural regions in Bulgaria. Some relief could come from the small group of entrepreneurs in the non-farm sector. This study is an attempt to better understand the decision-making process in starting a non-farm business in rural Bulgaria.

### Does the Household Plan to Start Non-farm Self-employment in the Next Five years? (N=163)

|     | frequency | percent |
|-----|-----------|---------|
| No  | 144       | 88.3    |
| Yes | 19        | 11.7    |

### Rare Events Logit for Planning Non-Farm Self-Employment within Next Five Years (N=163)

| variable                                     | coefficient | S.E.  |
|--|-------------|-------|
| Logarithm of per capita income               | 0.128       | 0.628 |
| Highest educational level within household   | -0.419      | 0.112 |
| Dependency ratio                             | 1.158       | 0.365 |
| Size of owned land in ha**                   | 0.032       | 0.019 |
| Presence of contacts facilitating start-up** | 0.451       | 0.049 |
| Cares what friends will say about start-up   | -0.231      | 0.259 |
| Prefers own business to wage job             | 0.143       | 0.430 |
| Trust in educational degrees**               | 0.453       | 0.033 |
| Trust in mayor of the village ***            | -0.532      | 0.002 |
| Someone in household is looking for a job*   | 1.230       | 0.068 |
| Self-employment as escape from unemployment* | 0.457       | 0.094 |
| Presence of wage job in household**          | 2.826       | 0.380 |

## Model results

- Distress-push motivation to start new business prevails.
- Self-employment is seen as a way out of unemployment.
- Households who have at least one person seeking for a job show higher propensity to start non-farm business.
- Potential entrepreneurs rely on their stock of useful contacts.
- Own land can be used as collateral and this is supportive for eventual entrepreneurial intentions.
- Trust in educational degrees facilitates hiring eventual future employees.
- The presence of wage job in household gives the necessary security against eventual start-up income shocks.
- High trust in village mayor seems to awake expectations for reachable wage jobs and thus decreases the probability for push-self-employment plans.

## Most reported constraints for start-ups

- Insufficient equity capital
- Insufficient access to cheap credit
- Financial risks perceived too high

## Conclusions

- Earlier findings confirmed about the push-character of rural non-farm self-employment.
- Planned activities are aiming at sectors with low entry barriers, but they have little prospects of creating viable new jobs in rural regions with low purchasing power and aging population.
- Policy action needed to grant easier credit access and stimulate innovative business ideas.

## Data and methodology

The study is based on primary data collected in 2008 within the SCARLED project. Farm households in three regions with different degree of economic development were surveyed resulting in 270 cases. After removing pure pensioner households and cases with missing values a subsample of 163 rural farm households emerged. Rare events logistic regression was applied, which corrects for the uneven distribution of the dependent variable.

## Most popular business ideas

1. Shop – petty trade
2. Café
3. Food processing
4. Tailoring
5. Transport



Making the leap to self-employment

