

SMEs IN THE DEVELOPMENT OF TOURISM IN THE AREA OF THE CRNA REKA BASIN IN THE REPUBLIC OF MACEDONIA

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Abstract

Modern and dynamic working conditions indicate a challenge for SMEs that are characterized by the ability to quickly adapt to change, opportunities and consumer needs. The subject of research in this paper focuses on perceiving the impact of SMEs in the development of tourism in the area of the Crna Reka basin. From geographical point, the Crna Reka passes through 13 municipalities in the southwestern part of the Republic of Macedonia and covers an area of 4869.72 km². Natural beauties, clean environment, monasteries, manifestations, traditional food, and local resources preconditions tourism development throw the SMEs in this region.

The subject of research in this paper is focused on perceiving the need for applying an innovative approach in creating an original tourist offer. Through the analysis, the basic hypothesis will be confirmed that the SMEs are promoters of tourism development in this region.

Key Words: *SMEs, basin, the Crna Reka, tourism, innovative approach*

JEL classification: *M14, Z32*

Introduction

Republic of Macedonia is a traditional, tourist-oriented country. Tourism is one of the most important and fastest growing industrial sectors, recognizable for the 21st century. According to the data on the number of tourists, 2017 recorded an increase in the number of tourists by 16.6% in relation to the number of tourists in 2016 (www.stat.gov.mk). The growth of the tourist turnover, expressed through the number of tourists, realized

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through overnight stays observed in recent years, is a confirmation of the fact that in the Republic of Macedonia tourism is one of the most important factors for the development of the economy. Tourism is one of the promising branches in the new globalization processes that reduces the borders of movement and economic development of the regions. Therefore, through the development of tourism and the creation of an appropriate tourist offer, the development processes within the national economy are fostered, the natural and cultural heritage is nurtured and contributed to the national integration of people. Modern globalization trends lead to certain changes in all segments of the operation of enterprises in all areas, including tourism sector. Numerous studies highlight the role of tourism in improving the quality tourists' life (Kim, et. al., 2015). Modern trends affect the expansion of the demands of tourists and their targeting to new touristic contents that are not touristically affirmed yet.

Tourism is a sector that fosters economic development and it has a big role in creating both the labor market and enterprises in the tourism sector, especially the specializing enterprises in certain services. Tourism represents a travel for holidays, fun, healing and sightseeing (Mukinovic, 1990). Most of the modern tourism movements include a range of activities.

The Republic of Macedonia, in particular the area that lies on the Crna Reka, in the Southwest part of the Republic of Macedonia, has huge potential for tourism development by utilizing the natural location and a combination of different ways of establishing a tourist offer. Natural beauties, clean surroundings, filled with lakes, mountains, waterfalls, monasteries, manifestations, traditional food, hospitality and local resources, are precondition for increasing the number of small and medium enterprises in this region. The representation of small and medium enterprises in the field of tourism provides preconditions for the development of the Southwest part of the Republic of Macedonia, and the application of innovative ways of organizing the work tool for providing adequate tourist offer. Active representation of small and medium enterprises in the field of tourism through the constant introduction of new forms of work and the entrepreneurial concept of enterprise behavior results in the creation of a competitive tourist offer appropriate to the needs of tourists.

Geographical description of the area of the Crna Reka, Republic of Macedonia

The suburban area of the Crna Reka is a spatial area that is located in two states in the southwestern part of the Republic of Macedonia and the northern part of the Republic of Greece, and the shrubs are naturally clearly defined. The border of the suburban sub-region of the Crna Reka starts from the catchment in the Vardar.

The suburban area of the Crna Reka in the Republic of Greece starts from the top of Kajmakchalan, i.e. the sloping area of the Elez Rivercoexisting tributary of the Crna Reka, which covers the area of 905.27 km² in Lerin area. The total length of the Crna Reka is 207 km with total area of 5774.99 km² (in both countries).

The suburban area of the Crna Reka in the Republic of Macedonia has a total area of 4869.72 km² and in the neighboring Republic of Greece it covers an area of 905.27 km². In the drainage-basin of the Crna Reka, a total of 390 settlements were collected, out of which 339 settlements are located in the Republic of Macedonia and 51 settlements are located on the territory of Greece. According to geographical location all municipalities are included in warmer zones in the country. (Koteski et al., 2014).

The territory of the suburban area of the Crna Reka is divided into three regions:

- Vardarski region (Gradsko, Kavadarci and Rosoman);
- Southwesterly (Drugovo) and
- Pelagoniski (Bitola, Demir Hisar, Dolneni, Krivogastani, Krusevo, Mogila, Novaci and Prilep) (Markovski B., 2008).

The territorial organization of the Crna Reka basin is organized on:

- Municipal settlements, which includes: Bitola, Demir Hisar, Krusevo and Prilep and
- Other settlements including Dolneni, Drugovo, Krivogastani, Mogila, Novaci and Rosoman. Such isolated municipalities are not fully in line with natural geographical, socio-geographical and economic-geographical features (Markovski B., 2008).

Next figures are given as an overview of the natural and hydrographic regions of the Crna Reka Basin and geographic position.

Figure 1: *Geographic position of the Crna Reka Basin*



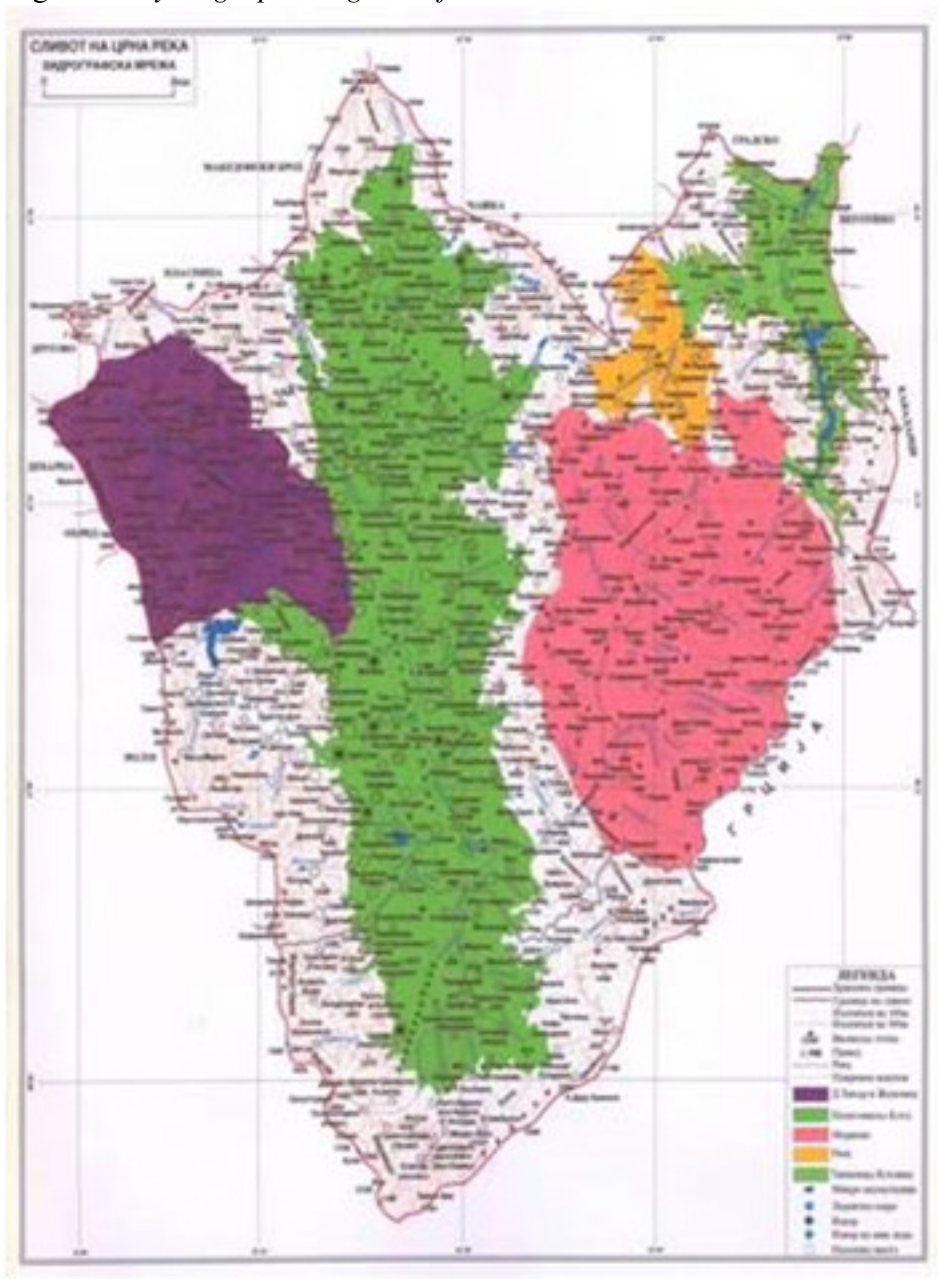
Source: (Koteski, 2011), *Basin of The Black River*, p.175

Figure 2: *Natural regions of the Crna Reka Basin*



Source: (Koteski, 2011), *Basin of The Black River*, p.138

Figure 3: *Hydrographic regions of the Crna Reka Basin*



Source: (Koteski, 2011), *Basin of The Black River*, p.25



Demographic structure of the population in the area of the Crna Reka

The demographic structure of the population is a significant indicator of its dynamics. Changes in the structure indicate not only the quantitative characteristics and the qualitative characteristics of separate elements. The numerical movement of the population is a basic academic component, resulting in numerous changes in other demographic elements. Under the influence of various factors, the past dynamics of the population showed positive negative changes. The demographic elements show the fundamental changes in the social, economic, ethnic and other characteristics and changes of the population, which is an essential driving force for the development of geographical area.

Table 1 provides an overview of the data on the total population, area and settlements for the municipalities of the Crna Reka Basin

Table 1: *Data on the total population, area and settlements for the municipalities of the Crna Reka Basin*

Municipalities	Population (2012)	Area (in km²)	Populated places
Bitola	98630	771	66
Gradsko Part of the basin	49	27.3	1
Demir Hisar	9497	491.6	41
Dolneni	11583	404.1	37
Drugovo Part of the basin	164	72.8	3
Kavadarci Part of the basin	2451	488.7	25
Krivogashtani	6007	85.7	13
Krushevo	9684	183.2	19
Mogila	4536	251.2	23
Novaci	2478	754	41
Prilep	76768	1145.2	59
Rosoman	4141	132.5	10
Total	225988	4879	339

Source: (Koteski, 2011), *Basin of The Black River*, p.138

Table 2 gives an overview of data of total population according to activity in places for the municipalities belonging to the basin of the Crna Reka.

Table 2: *Data on the total population according to activity in the municipalities of the Crna Reka Basin*

Municipalities	Population (2012)	Employees	Unemployed
Bitola	98630	29251	35651
Gradsko Part of the basin	49	592	643
Demir Hisar	9497	2231	1385
Dolneni	11583	1070	2378
Drugovo Part of the basin	164	488	661
Kavadarci Part of the basin	2451	5564	5934
Krivogashtani	6007	1069	841
Krushevo	9684	1316	1493
Mogila	4536	1514	859
Novaci	2478	715	627
Prilep	76768	10930	11428
Rosoman	4141	693	572
Total	225988	55,569	64,796

Source: (Koteski, 2011), *Basin of The Black River*, p.123

Development of tourism in the region of the Crna Reka Basin

The development of tourism in the region of the Crna Reka basin depends on the appropriate natural and communal factors. In the group of natural factors, the development of tourism in the drainage-basin of the Crna Reka includes: geomorphological, hydrographic and biogeographical motives, which create quality conditions for the development of tourism. Mountains with forest complexes, clean air, natural habitats, snow cover, water flows, wildlife, richness with a wide variety of plants and plants represent the basis of seasonal tourism in the summer and winter. Potentials for creating an original tourist offer are the morphological forms in this region, namely the following mountains: Babuna, Dren, Selecka, Kozjak, Nixe, Kozuv, Baba, Bigla, Plakenska Planina, Ilina Planina, Luben, Buceva Planina and Dautica.

Significant places to visit in this area are represented by: Cersko Pole, alluvial planners and the submerging of the Cerska Reka in the protection field of the Crna Reka.

In the development of tourism in the region of the Crna Reka basin, the following factors are also common: the anthropogenes - culture-historical monuments, archaeological sites and places, the ethnological characteristics of the population, various festivals and manifestations, the transport lines, transport resources and intermediary factors, tourist agencies and various forms of SME from the field of tourism.

The impact of SMEs in the development of tourism in the region along the Crna Reka

SMEs are an important segment in the overall economic activity. The emergence and development of small enterprises in the past twenty years is closely linked to the pronounced economic and developmental dimensions and democratic social processes (Magdincheva Sh., M., Angelkova T. and Temelkov, Zoran, 2016).

The development of tourism in the Southwest part of the Republic of Macedonia, specifically in the region along the Crna Reka basin, is associated with small and medium enterprises and other alternative forms of tourism development, especially with the possibilities for creating a tourist offer and original content for tourists, relaxation and so on. Table 3 gives an overview of the number of enterprises in places for the municipalities belonging to the Crna Reka basin.

Table 3: *Number of enterprises in places for the municipalities belonging to the Crna Reka basin*

Municipality	Number of enterprises (201)	Area (in km2)
Bitola	3980	771
Gradsko part of the basin	92	27.3
DemirHisar	257	491.6
Dolneni	213	404.1
Drugovo part of the basin	58	72.8
Kavadarci part of the basin	2001	488.7

Krivogastani	122	85.7
Krusevo	269	183.2
Mogila	154	251.2
Novaci	88	754
Prilep	2888	1145.2
Rosoman	122	132.5
Total	10244	4879

Source: *www.stat.gov.mk*

The creation of an appropriate offer in the field of tourism with the application of a modern concept in the operation is carried out through the adoption of an innovative approach in the formation of tourist offer, the offer of tourist and other events, the creation of attractive tourist arrangements, implementation of innovative organizational culture in the tourist enterprises and modern management approach in operation.

The creation of an appropriate offer is related to the knowledge of the needs of tourists from a theoretical and practical point of view. From the theoretical spectrum, there are many definitions and explanations of what the needs are in the literature. Psychologist Abraham Maslov analyzes human needs in the hierarchical order, from the needs of the lowest level, to the needs of the highest level (Maslow, 1943). He concludes that when a group of needs is satisfied, it ceases to be the main motivator for human behavior. The creation of an innovative tourist offer is related to the knowledge of the practical aspects of offer, which are realized through direct methods of data collection, surveys, analyzes, research, etc. The development of tourism through small and medium-sized enterprises in this region is associated with the knowledge of practical aspects of the needs of tourists. Enrichment, creating a new tourist offer is a perspective concept of work that implies continuous research on the environment, introduction of an innovative concept by exploiting the market opportunities and innovation of entrepreneurs and using modern management approach (Magdinceva et al., 2018).

Important pre-conditions for encouraging the development concept in the work of SMEs in the field of tourism is the entrepreneurial concept in the operation. SMEs change the philosophy of work and introduce the innovative concept in operation (Magdinceva et. al., 2018).

The entrepreneurial concept in operation is recognized in the creation of an original tourism offer through continuous monitoring of the needs of tourists and application of new opportunities for development and improvement of existing resources, utilization of the available resources and minimization of the consequences of eventual failure of business activities. In today's conditions of operation, information and information technology are a key factor in the operation and planning of future business activities. The latest research shows that more than a half of people traveling, when they have the opportunity or option, pay online and use the sales and booking system (Henry, 2016). Small enterprises have a recognizable or unique advantage that is associated with efficient, informal communication, pronounced market adaptability, implementation of relatively cheaper innovation in operation and low level of administrative constraints. Small businesses work with people, while large businesses work with "systems" (Bojadzioski & Blazeska, 2009).

Opportunities for the development of tourism in the region along the Crna Reka

The relationship between tourism and small and medium-sized enterprises arises as a result of the process of connecting these two segments. Promoting the development of tourism through small and medium-sized enterprises is perceived through the factors that initiate the development of tourism and the economic benefits that arise as output values from the development of tourism. In tourism, SMEs are a key factor for the growth of tourism industry globally (Burkart & Medlik, 1974).

The characteristics of small enterprises that are expressed in the ability for flexibility in employment and the minimal resource utilization are preconditions for encouraging the development of tourism through small and medium enterprises.

SMEs are basic institutions in the market economy. The process of creating values in the market economy is realized through the activity of small and medium enterprises.

SMEs are the most efficient form for the realization of economic activities, therefore it is quite understandable why the majority of the newly created value in the national economies is realized through the operations of small and medium enterprises. Business entities, as

significant carriers of economic activity, are in fact of crucial importance for the development of the national economy, and in the Macedonian economy their establishment and functioning are regulated by the Law on Trade Companies (Law of Trade Companies, No. 28/04).

The possibilities for development of tourism in this region consist of utilization of all capacities and values for tourism development, creation of innovative tourist offer and exploitation of the advantages of small and medium enterprises in the creation of output values.

Recommendations and guidelines for tourism development through SMEs in the South-west region of the Republic of Macedonia

The Southwest region of the Republic of Macedonia has great opportunities and potential for tourism development by encouraging the process of entrepreneurship and starting a business of SMEs.

SMEs will ensure the satisfaction of various needs of visitors and/or tourists as well as local people from this region.

The existence of suitable natural tourist resources, natural beauties, clean environment, lakes, mountains, waterfalls, thermal waters, monasteries, local manifestations, healthy and traditional foods enriched with the hospitality of the inhabitants of the southeast attract the attention of tourists, bystanders and locals.

The tourist offer in this region consists of several aspects: thermo-mineral potentials, historical sites and buildings, churches and monasteries, various types of events and manifestations as well as certain tourist facilities.

The development of tourism in this region depends on the provision of certain preconditions. The basic precondition for encouraging the development of tourism in this region is the existence of an entrepreneurial culture in the creation of an appropriate tourist offer and various contents that are an integral part of the tourist offer. The advantages in the operation of small enterprises or their strengths need to be used in the direction of enriching the tourist offer and development of tourism in the Southwest region.

The establishment and improvement of work of enterprises from tourism sector imposes the implementation of original processes of work organization that are in essence based on the real situation and the opportunities for the development of enterprises. Considering the available tourist and accommodation capacities available to the Southwestern region, possible recommendations for encouraging the development of SMEs in the tourism sector would be the following: continuous research of the environment in order to meet the needs of tourists, visitors and the local population, continuous analysis of the available resources, introduction of an innovative tourist offer, provision of institutional support for the development of SMEs, application on the modern business models in operation and providing adequate financial support.

Small enterprises and their potential for continuous innovation create an opportunity for original appearance on the market and introduction of new products in different categories, creating a system of mutual interest, thus improving the economic values at the local, regional and state levels.

Conclusion

Tourism is a sector that fosters economic development and plays a major role in creating the labor market and the establishment of enterprises in the tourism sector, especially enterprises specializing in certain services. The relationship between tourism and small and medium-sized enterprises arises as a result of the process of connecting these two segments. Small and medium-sized enterprises are basic institutions in the market economy. The process of creating values in the market economy is realized through the activity of small and medium enterprises. The positive impact of SMEs is perceived through the expressed values of the gross domestic product of the Republic of Macedonia and data on the number of SMEs of employees in the Republic of Macedonia for the period 2013-2017. SMEs are an important segment in the overall economic activity. As carriers of economic activity and economic development, they are usually associated with entrepreneurship and entrepreneurial initiative.

Small enterprises are becoming a key factor in terms of creating greater opportunities for tourism development and improving the situation of the local population in the Southwestern part of the Republic of Macedonia, specifically the population living in the region of the Crna Reka basin.

The catchment area of the Crna Reka in the Republic of Macedonia has a total area of 4869.72 km². In this region there are 339 settlements that are divided into Vardar, Southwest and Pelagonia regions (Koteski, 2010). The region is characterized by natural beauties, clean environment rich in mountains, waterfalls, thermal waters, ethno villages, monasteries that are a prerequisite for tourism development and the potential for forming an original tourist offer in this sector.

The development of tourism in the region of the Crna Reka basin depends on the appropriate natural and social factors (Koteski, 2010). SMEs as a factor for tourism development belong to the group of social factors. The development of tourism in the Southwest part of the Republic of Macedonia, specifically in the region along the Crna Reka basin, is associated with small and medium enterprises and other alternative forms of tourism development, especially with the possibilities for creating tourist offer and original content for tourists.

Through the tourism and creation of an appropriate tourist offer, the development processes within the national economy are stimulated, the natural and cultural heritage is nurtured contributing to the national integration of people.

The analyzes carried out confirm the basic hypothesis that SMEs represent incentives for the development of tourism in the region in the basin of Crna Reka. The basic precondition for encouraging the development of tourism in this region is the existence of an entrepreneurial culture in the creation of an appropriate tourist offer and the various contents that are an integral part of the tourist offer. The advantages in the operation of small enterprises or their strengths need to be used in the direction of enriching the tourist offer and development of tourism in the Southwest region.

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