

## Chapter 9

# Diversification of Economic Activities and Sustainable Development of Rural Areas: The Case of the Novi Sad, Serbia

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### **ABSTRACT**

*The current employment structure in rural areas of Serbia is the result of an insufficiently diversified economic structure, highly dependent on the primary sector and the exploitation of natural resources. The main problems of rural areas are: lack of employment opportunities, high dependence on agriculture, and declining quality and availability of basic services and infrastructure. These problems result in a decrease in the attractiveness and quality of rural areas as a place of work and life, demographic decline, and employment reduction in rural areas. Non-agricultural activities contribute to a higher degree of diversification of rural economy, and represent a chance for revitalization of rural areas. This chapter points out the prospects for the development of other profitable activities at Novi Sad's rural areas with a special emphasis on rural tourism in the context of the concept of sustainable development. Expectations are that such an approach would create conditions for rural areas to become attractive for the life of local residents and also for tourists.*

DOI: 10.4018/978-1-5225-9837-4.ch009

## **INTRODUCTION**

Sustainable development allowing the satisfaction of needs of the present generation without compromising opportunities for future generations to satisfy their own needs. In economically developed countries (likes in Republic of Serbia), implementation of adopted national strategies for sustainable development have high importance on the macro level (Sarić et al., 2013).

In rural areas, not only agricultural activities and food production are implemented, but there are many other different activities that affect the needs of the rural population and improve the standard of living and establish the economic and social stability of rural households. Such activities are called the rural non-farm economy.

Rural non-farm economy is most commonly defined as a set of economic activities in rural areas other than activities connected with production of primary agricultural products. (Bogdanov, 2007; Lanjow, & Lanjow, 1997). Rural non-farm economy does, encompass activities connected with agriculture, such as food processing, other kinds of small businesses, income from social transferees, interests, dividends, rents and remittances form part or full-time employment in urban areas (Davis & Pearce, 2001).

*Bogdanov (2007)* state that rural non-farm economy as development concept resolves key problems in most rural areas by:

- Absorbing labor surpluses and reducing hidden unemployment.
- Reducing risk for agricultural holdings involved in activities supplementing or replacing the agricultural income.
- Securing survival for households where agricultural production has been destroyed or endangered.
- Contributing to the increased use of comparative advantages that rural areas offer (natural and physical resources, location, labour expenses, etc.).
- Contributing to accelerated economic growth of rural areas.
- Improving overall quality of life, products and services in rural areas.

## **AGRICULTURE AND RURAL DEVELOPMENT IN NACIONAL ECONOMY OF THE REPUBLIC OF SERBIA**

For normal development of agriculture it is necessary to provide sufficient financial resources. For the sake of reminding, since 1994, the development of agriculture has been funded from the primary issue of the Central Bank, and since 1996, the agrarian budget has become an integral part of the republican budget. (Grujić & Ljubić, 2016)

During the last decade, numerous reforms were carried out in Serbia in order to establish macro-economic stability and maintain and stabilize economic development, reconstruct large systems, and then stabilize large companies in order to join the EU. The main goal of all activities was – maintaining macroeconomic stability, with an increase in the rate of economic growth. During this period significant deregulation and liberalization of prices and foreign trade operations were carried out, along with regulation of relations with international financial institutions. Significant progress has been made in the implementation of structural reforms, especially in the field of privatization of enterprises and consolidation and privatization of the banking sector. (Kopanja, 2016; Veselinović, 2008).

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