

THE ESSENCE OF RURAL ENTREPRENEURSHIP IN THE CONTEXT OF BUSINESS ACTIVITY MANAGEMENT IN RURAL AREAS

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Abstract

The structural transitions that occur in the rural environment and agriculture are connected with the process of the establishment and development of enterprises in rural areas, with its major instrument being broadly understood entrepreneurship. The aim of this paper is to present the problems of rural entrepreneurship. The results obtained in the study were used to present the essence of rural entrepreneurship in the context of business activities management in rural areas with the example of a territorial division entity i.e. the Częstochowa powiat in the central part of Poland. The research methodology was a questionnaire survey in a group of 135 farmers from the area of the powiat.

Keywords: *business activity, management, rural areas, rural entrepreneurship*

JEL classification: *F50, Q1, R10*

1 Introduction

As the most important manifestation of rural business activity in Poland, agriculture is currently being ousted by other forms of entrepreneurships, termed non-agricultural business activities. The most important reason for which people

in the country are involved not only in agriculture is that fewer and fewer owners of farms are able to make a living from agriculture. Reduction of the role of agriculture and increased importance of entrepreneurship (Drucker, 2006; Gregorczyk, Romanowska, Sopińska & Wachowiak, 2010) in rural areas is a process that forces a number of transformations in these areas, aimed mainly to develop entrepreneurship in the agriculture and modernize, simplify and promote specialization of farms, and develop various non-agricultural forms of entrepreneurship (Barczyk, 2008; Nowak, 2004).

The aim of this study is to present the idea of rural entrepreneurship in the context of business activities management in rural areas with the example of a territorial division entity i.e. Częstochowa powiat (powiats are principal units of territorial division of the second level in Poland).

The Częstochowa powiat is located in the southern part of Poland in the Silesian Voivodeship. Its area is around 1,519 km², with the population of roughly 135,500 people. Its office is situated in Częstochowa, a city located outside its territory. The powiat includes two municipal-rural gminas (the units of territorial divisions of the first level): Blachownia and Koniecpol and 14 rural gminas.

2 Forms of Rural Entrepreneurship

The structural transitions that occur in the rural environment and agriculture are connected with the process of the establishment and development of enterprises in rural areas, with its major instrument being broadly understood entrepreneurship (Glaeser & Kerr, 2010). „Development of entrepreneurship in rural areas is defined as the attitudes and all organizational and management activities in the enterprise, based on the motivations of earning profits, innovation, competition, risk and responsibility of the entrepreneur” (Faggio & Silva, 2014). It should be perceived as a factor in deagrarianization of rural areas through (Castano, Mendez & Galliano, 2015):

- opportunities for moving agricultural population to work outside agriculture,
- process of industrialization of agriculture and urbanization of rural areas,
- structural changes in the agrarian structure due to the increase in the size of farms owned by part of farmers and liquidation or reduction of farms by others.

The phenomenon of rural entrepreneurship results from the initiatives made by population living in rural areas in order to find a niche corresponding to their own potential. Entrepreneurship in rural areas in Poland is characterized by a variety of forms and number of rural business entities that include mainly small and medium-sized enterprises, whose activity is becoming more and more important

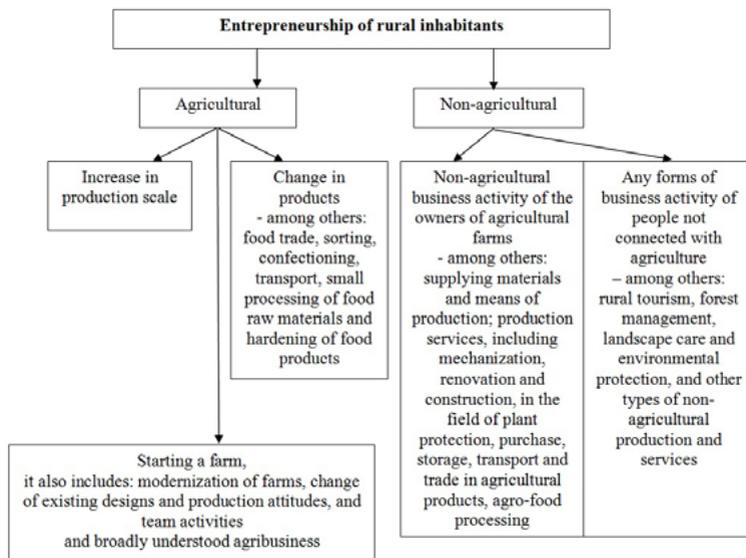
to the development of a number of rural regions of the country (Adamowicz, 2004). Therefore, the basic component of entrepreneurship in rural areas is small business.

Entrepreneurship of the inhabitants of rural areas is manifested in business activity in the person's place of residence and in the nearest cities. Through establishment of the businesses and purchasing the means of production and consumption, these individuals participate in business activity located in the areas of the nearest city (Darmadji, 2016). Local business activity of entrepreneurs, which consists in the development of small and medium-sized businesses in the nearest cities is one of the forms of non-agricultural business activity in rural areas. Currently, with the opportunities for efficient communication between the cities and rural areas, the inhabitants of the cities contribute to business activation of rural areas through establishment of enterprises in these locations (Heller, 2007).

Farmers belong to the category of sole traders, thus making farmers entrepreneurs. Entrepreneurial managers of farms have to learn about how the market they function in operates and which products should be manufactured. The farmers have to learn entrepreneurship using three traditional factors of production: land, labour and capital. Entrepreneurship is a specific characteristic that cannot be replaced by anything else (Santarelli & Vivarelli, 2007). The owners of farms represent a group of entrepreneurs, who more and more often use economical factors in their activity (Cichoń, 2015). It is important in farmer's activity to perform market surveys and collect market information, which allows for the effective competition and the achievement of competitive position in the market (Stachowicz, Nowicka-Skowron & Voronina, 2014).

Entrepreneurship in rural areas can therefore adopt various character and be expressed in various forms and methods of operation. The Figure 1 presents a general division of rural entrepreneurship.

Figure 1 Entrepreneurship in rural population



Source: Author's own elaboration on the basement of: Kozłowska-Burdziak, 2008.

Non-agricultural business activity in rural areas can be divided into the following categories (Suryana, 2006):

- activity connected with the industry and services located in rural areas,
- activity connected with workplaces in cities (so-called residential function of rural areas),
- activity connected with services for people visiting rural areas (recreation, tourism, agritourism),
- activity of people making a living from non-productive sources of income (pensioners, retired people).

The entrepreneurship of farmers is manifested in their attempts to enrich and enhance the products they obtain in their farms. This means storage and processing using their own resources and capabilities of the farm, village or gminas. Various opportunities are opened up in rural areas, confirmed by actual activities, which include, among others, multiple initiatives, such as (Kościelniak, 2013):

- traditional, rural baking,
- manufacturing smoked meat according to traditional Polish recipes and modern methods,
- production and enhancement of ovine leather,

- weaving at home,
- picking up forest berries and mushrooms,
- picking up and drying natural medical herbs,
- beekeeping, farming edible snails and fur-bearing animals.

The above entrepreneurial activities demonstrate ingenuity and resourcefulness of people living in rural areas. A number of these initiatives do not require much capital expenditure but the benefits can be substantial.

3 Questionnaire survey design

The survey was conducted in winter 2016. The preparation for the survey started from developing the questionnaire. The data were collected from 29 May to 3 June. On the last day of the survey, the collected data were organized and presented in the form that refers to the methodological assumptions.

The spatial scope of the examination included a part of the Częstochowa powiat in the central part of Poland, composed of the two types of gminas: mixed municipal and rural gmina (Blachownia and Koniecpol) and four rural gminas (Mykanów, Kłomnice, Poczesna and Konopiska).

The empirical analysis presented in the further part of the paper is based on primary sources. The major source of the presented data is questionnaires (135) dedicated to powiat farmers. The questionnaire survey was carried out using a direct method through personal contacts with respondents. The questionnaires were obtained only by people who wanted to participate in the survey. Only 35 of 170 questionnaires were not returned.

There were 135 inhabitants of rural areas in the Częstochowa powiat who participated in the survey. In each gmina, the survey examined 0.5% of people in the working age (18 to 64 years) who are the owners or co-owners of agricultural farms.

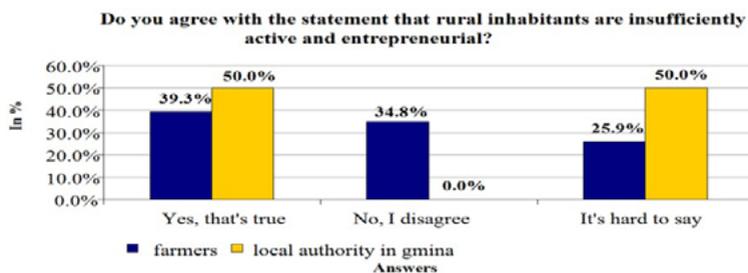
Based on the respondent data section, the most of the members of the population studied were inhabitants of two biggest gminas in the powiat: Blachownia and Koniecpol. The biggest group was people aged 35 to 44 years. In general the respondents had vocational education. The most of the respondents were owners of the farms with area of 3 to 10 ha. The dominant group was men (Kadłubek, materials in print).

4 Analysis of the results obtained from the survey

Entrepreneurship is not sufficiently popular in rural areas. This is confirmed by the fact that the statement: „*Inhabitants of rural areas are little active and little entrepreneurial*” was accepted by 39.3% of the studied population. The statement was confirmed by 53 people, including people aged 35 to 44 years (21 people) and 45 to 54 years (21 people). Among the representatives of local gmina governments, 50.0% of the respondents confirmed a low level of entrepreneurship of people from rural areas. The same number (50.0%) of the respondents could not answer unequivocally to this question. None of the members of local government denied this fact. 34.8% of the study participants answered „*No, I disagree*”. The question was answered negatively by 62.5% of the respondents with higher education.

Interestingly, almost 26% of the respondents did not have any opinion on that issue. They indicated the last variant of the answer: „*It's hard to say*”. The biggest difficulties with the answer to this question were presented by the inhabitants of the smallest gminas, aged less than 44 years, with secondary and post-secondary education. The preview concerning the level of entrepreneurship of people in rural areas is presented in Figure 2.

Figure 2 Rural inhabitants and their entrepreneurship



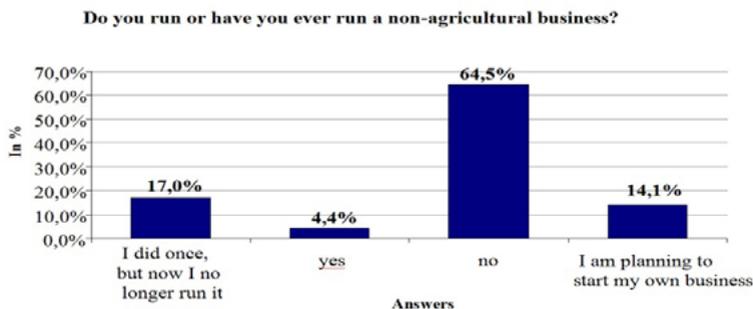
Source: Author's own elaboration.

Comparison of these two categories of respondents was aimed to demonstrate the differences in business activity of rural community. Similar to the members of gmina governments, owners of agricultural farms in the Częstochowa powiat responded that rural population is insufficiently active and entrepreneurial. The answers of the respondents demonstrated that business activity of rural inhabitants is not sufficiently popular yet. This fact is confirmed by an insignificant percentage of enterprises in the overall number of study participants.

When asked whether they ran or had ever run non-agricultural business activity, the most of the inhabitants of the Częstochowa powiat (64.5%) answered „No” (Figure 3). The farms not involved in any business activity represented a significant percentage of all the farms, especially in the Kłomnice gmina, where 85.7% of the respondents indicated this answer. None of the respondents who lived in this gmina had their own businesses and merely one person intended to register business activity. Business initiatives were not started by people without education and those who finished only primary schools.

In the area of the six analysed gminas, businesses were run by merely 6 people, which translates into only 4.4% of the respondents.

Figure 3 Non-agricultural business activity of farmers



Source: Author's own elaboration.

The non-agricultural business activities started by rural inhabitants from the Częstochowa powiat included opening grocery shops (3 people), selling food products, production of wooden products (1 person), building services (1 person) and repairing cars (1 person). Business activity in the gminas studied was mainly found in people aged up to 44 years (5% of them were younger than 34 years) and with better education.

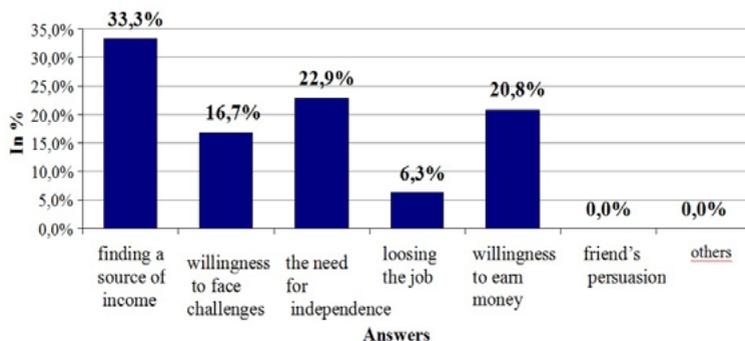
Business activity in people living in agricultural farms was substantially varied depending on sex of the respondents. 40.4% of the men participating in the survey were those who had ran their own businesses before, were still running business, or intended to start a business. Answer different than „No” was provided by only 24.4% women.

The entrepreneurship in the area studied showed a substantial variation between gminas although similar tendencies occur in their area concerning the participation of active and inactive people in business initiatives. It should be also noted that business activity of rural inhabitants, similar to cities, are

supplemented by the 'grey economy zone' where entrepreneurial activities adopt semi-legal character.

Identification of the most frequent motivations for starting and running business activity represented an interesting component of the characterization of the profile of a rural entrepreneur. The answers of the respondents who ran or intended to run their own business allowed for organization of the causes of business initiatives from the most to least significant (Figure 4).

Figure 4 Motivations for starting business activity in rural areas

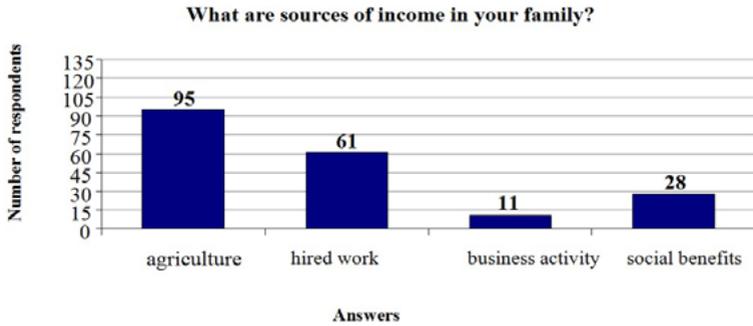


Source: Author's own elaboration.

The most important for the respondents is „*the willingness to provide myself and my family an additional source of income*”. This motivation was indicated by 33.3% respondents. The need for association and reluctance to having a supervisor at work was on the second place (22.9%), whereas the third place was taken by the opportunities for earning money (20.8%). Among the motivations, the entrepreneurs also listed the need for facing challenges. Almost half of the sole traders who were the owners of their own businesses justified their motivations in this manner. To 6.3% of the respondents, starting business activity other than agricultural activity in rural areas was the necessity due to the loss of the previous job and the attempt to run away from unemployment. The effects of the economic duress connected with the risk of unemployment are noticeable in the case of people who ran or had run their businesses. The main stimulus for future entrepreneurs was, to the similar degree, independence and earning money (these motivations were indicated in total by 63.2% of potential entrepreneurs).

Another important element that identified people in rural areas was determination of the sources of their income. The answers of the respondents are shown in Figure 5.

Figure 5 Sources of income in households in the Cześćochowa powiat



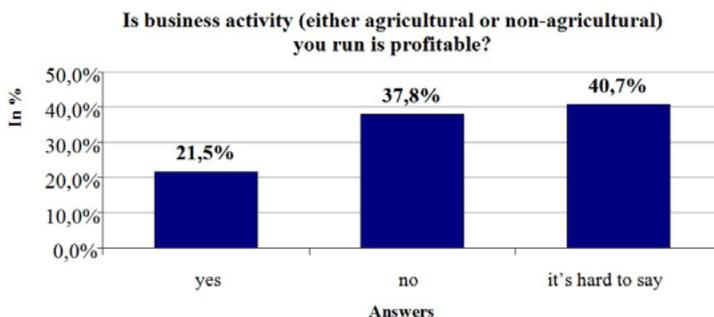
Source: Author's own elaboration.

The Cześćochowa powiat is dominated by agriculture, which represents the main source of income in rural families. As shown in Figure 4, 95 respondents (70.1%) indicated agriculture and working in the farm as a source of income. Agriculture was the only source of income for 31.9% of the respondents. In general, the inhabitants of these areas prefer agricultural activity. However, almost 28% of the respondents indicated that they are unable to support their families from the agricultural activity. In this question, these people indicated answers other than working in their farms. This was the most noticeable in the case of small farms, where incomes on agricultural activity did not cover the costs of supporting the family, which forced farmers to seek other sources of income. Eleven respondents declared that they or someone from their family had their own businesses. Members of 61 farms were employed outside the farms, whereas 28 people used social benefits. The percentage of the households with only non-agricultural activity was insignificant. The group of self-employed people accounted for 2.2% of all participants of the survey. Only ca. 18% of the respondents in all gminas supported their families from working outside the farms. An insignificantly higher percentage was found for those who were also involved in agricultural activity, with the household member being hired workers. Their percentage in the total of the households examined was 21.5%. For 4.4% of the respondents, the only income was social benefits. Nearly 12.6% of the inhabitants of rural areas make a living from pensions, retirement pensions, benefits and agriculture.

Assessment of the financial status of the most of rural farms, including those in the area of the Włoszczowa powiat, is not easy. This is supported by the fact that 40.7% of people could not unequivocally answer to this question. They chose the option „It's hard to say”. The most of the problems with the diagnosis of the

level of profitability were found for people who had large agricultural farms. In the gminas studied, agricultural activity was characterized by incomes depending on seasonal variability, i.e. the activity was sometimes profitable and sometimes not. Climatic conditions also had an effect on profitability, with financial standing of the farm owners changing frequently. Huge damages in rural areas are caused by natural disasters such as floods or droughts. All of this impacts on profitability of the entities. Other results of the survey in this area are presented in Figure 6.

Figure 6 Profitability of farmers' activity



Source: Author's own elaboration.

In terms of profitability of the business activity, the dissatisfaction attitudes were more dominant compared to satisfaction. In the case of the question „*Is your business activity (agricultural or non-agricultural) is profitable?*” 37.8% of the respondents answered „No”. The survey also showed that the least profitable activities are started in the farms with the area of 1 to 2 ha. Over half of the respondents from this range reported their activities as unprofitable. Fully profitable activity was indicated by 21.5% of farmers. Analysis of the opinions of the respondents showed that the older the respondents, the more disappointed they were concerning the effects of their work. The highest dissatisfaction in this area was found in the group of people aged more than 55 years. A negative attitude to the profitability of activities in the group of people aged 18 to 24 was reported only by 9.1%.

5 Conclusion

The paper was aimed to present the problems of rural entrepreneurship. The results of the questionnaire survey were used to present the idea of rural entrepreneurship in the context of business activities in rural areas with the example of a territorial division entity i.e. Częstochowa powiat.

The most of the participants were men. The biggest group was people aged 35 to 44 years. The most of the respondents were owners of the farms with area of 3 to 10 ha. The main source of income for farmers was working in the farm and hired work.

Similar to the members of gmina governments, owners of agricultural farms in the Częstochowa powiat responded that rural population is insufficiently entrepreneurial. The answers provided by the respondents revealed that business activity of rural population is little popular and this fact was confirmed by an insignificant percentage of owners of businesses in the overall number of study participants. In the area of the six analysed gminas, businesses were run by merely 6 people, which accounted for only 4.4% of the respondents.

To the most of the respondents, the key motivation for running or planning to start business activity was an additional source of income for themselves and their family. The answers to this question indicated that according to farmers, entrepreneurship means mainly the activity of people taken in order to find alternative sources of income.

The inhabitants of gminas included in the survey did not show tendencies for starting businesses, which was confirmed by the answers to other questions contained in the questionnaire. The results of the survey also confirmed that the typical agricultural activity, although it remains to be the basic source of incomes of people living in rural areas, ceases to be the means of supporting the whole household.

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