POSSIBILITIES AND BARRIERS TO THE DEVELOPMENT OF ECONOMIC ACTIVITIES IN RURAL AREAS ON THE BASIS OF PIOTRKÓW KUJAWSKI COMMUNE (POLAND)

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Abstract

Agriculture of well developed countries is characterized by large size farms, high marketability and mechanization. The demand for labor force in this sector of economy is getting lower and lower. Inhabitants of rural areas need to look for jobs in local companies, go away to other places or set up their own non-agricultural business. A survey was carried out to evaluate the conditions and possibilities of economic activity development in rural areas as well as determine its supportive factors and barriers inhibiting this process. Another important issue was assessment of the role of local authorities in the process of non-agricultural activity development. In order to accomplish the research goals and collect empirical data, a survey method was used involving the questionnaire interview technique. The survey was carried out in May and June 2015, among 110 entrepreneurs of the analyzed commune rural areas – both, those involved in economic activity and farmers involved in non-agricultural activities. The survey provided data concerning non-agricultural activity, which allowed to identify benefits and barriers involved in having own business located in rural areas. Moreover, agricultural farms involved in non-agricultural economic activity have been characterized. According to the respondents, the best way for the local authorities to support the rural area economic development, was to build the required infrastructure, thus providing small and medium companies with...
appropriate conditions to develop, and incorporate their operation into the overall development strategy plan for the region.

**Keywords:** rural areas, non-agricultural entrepreneurship, multifunctional development of rural areas

**JEL classification:** J43, Q12, Q13

### 1 Introduction

In modern times agriculture of well developed countries is characterized by large size farms, high marketability and high mechanization degree. (Brown et al. 2005; van Zanten et al. 2014). This involves reduction of the demand for labor force in this sector of economy (Swinnen et al. 2005), which in turn increases unemployment (White, 2012) Thus, the local inhabitants have to look for employment in local companies or leave the place in search of a job. Starting one's own non-agricultural business (Carter, 1998) that is being a micro-or a small company is another alternative. This solution is most appreciated by the authorities as it contributes to the region economic growth, and attractiveness, unemployment decrease, especially when the new activity goes with a demand for employees.

According to many authors, the economic situation of many rural areas can be improved through turning to alternative income sources, which is inseparably connected with multi-functional development of these areas. This involves skillful implementation of new social and economic functions into these areas (Prus, 2010, p. 15-16; Runowski & Ziętara, 2011; Kalinowski, 2013; van der Ploeg & Roep, 2003) which will contribute to creation of local workplaces and new trade facilities and services (Steiner & Atterton, 2015). Small and medium companies are often characterized by high innovativeness and flexibility and they can effectively use local resources including agricultural products, traditional food recipes (in the case of gastronomy and tourism), and most importantly human resources (Anthopoulou, 2010). This process requires a change in farmers’ attitudes and development of entrepreneurship in rural areas (Eliasson & Westlund, 2013; Iagăru et al. 2016; Korpysa, 2010). The inhabitants of rural areas need to be motivated for launching a non-agricultural activity which can contribute to improvement of their living conditions. It is also necessary to get familiar with the factors which have a positive and negative influence on running a business.

The goal of the survey was to assess the conditions and possibilities of economic activity development in rural areas as well as identify the factors that boost and barriers that inhibit the process. Another issue was to define the role of local authorities in supporting non-agricultural activities.
2 Data and Methods

In order to meet the research assumptions it was necessary to get familiar with the opinions of business owners of the analyzed commune whose names were taken from the list of companies situated on the territory of the commune. Documents and materials from the Piotrków Kujawski Town and Community Council were used as a source of information concerning the number of business entities functioning in rural areas of the studied commune. Additionally, in May and June 2015, a survey was carried out among entrepreneurs of the analyzed commune rural areas - including entrepreneurs and farmers who additionally were involved in economic activity. At the time of the survey, 131 entrepreneurs had already been registered, 110 of which were out of service and 21 temporarily suspended. As many as 50 entrepreneurs participated in the survey. The maximal measurement error was 8.5%, with confidence level of 0.90 and the size of population equal to 110 persons. The survey method which was used involved the questionnaire interview technique. The sheet of a questionnaire included total 25 questions, 7 of which were closed questions, 14 half-closed and 4 were metric questions. The survey allowed to obtain data on non-agricultural activities, define benefits and barriers connected with running one’s own business in rural areas as well as characterize agricultural farms which are also involved in non-agricultural activity.

Piotrków Kujawski Commune is situated in the south of Kujawsko-Pomorskie Province in Radziejów District. It borders with the following communes: Bytoń, Radziejów, Topólka (Radziejów District), Kruszwica (Inowrocław District), as well as Skulsk i Wierzbinek belonging to Koninski District in Wielkopolskie Province. It covers the area of 138.62 km2, divided into 23 offices of the village leader. The commune is inhabited by 9426 persons, 4964 of which (52.7% of the population) are residents of rural areas (Informator, 2009, p. 12; Główny, 2015; Serwis, 2013). Piotrków Kujawski Commune is a typically agricultural commune where arable lands account for 82% of the area. It is characterized by good conditions for development of commodity agriculture, ecological agriculture, as well as vegetable cultivation. The main kinds of cultivation are crops, corn for silage, sugar beets, rape and ground vegetables. On the territory of the commune there are more than 1000 agricultural farms. Many of them specialize in dairy and beef cattle and pigs. Moreover, there are 885 ha of forests on the territory of the commune which account for 4% of the commune area. (Informator, 2009, p. 3-4; Serwis, 2013).

The majority of the respondents were men (78.0%), whereas women accounted for 22.0% of the respondents. Considering the age of the surveyed group, it can be observed that most of the persons who were involved in economic activity on the territory of Piotrków Kujawski Commune, were young persons – 40.0% of the
respondents were at the age of 30 and 39 and 28.0% below 29. The second most numerous group, included persons aged 40-49, which accounted for 22.0% of the respondents. Older people aged 50-59 accounted for 8.0% of the respondents and those aged over 60 – 2.0% of the respondents, represented the smallest group of people who decided to set up a business. Considering education of the surveyed population, 44.0% of the respondents were high school graduates, whereas 40.0% were graduates of vocational schools. 16.0% of the respondents were university graduates. Another issue was being an owner of an agricultural farm. A great majority of the respondents (68.0%) were involved only in economic activity. The next 10.0% did not have an agricultural farm, but they rented it, whilst their main source of income was a non-agricultural economic activity. Only 22.0% of the farmers declared having an agricultural farm and being involved in additional economic activity.

3 Results and Discussion

The decision to start a business is conditioned by many factors including those which boost economic activities (Begley et al. 2005; Bienkowska-Golasa, 2015; Dobes et al. 2017; Sikora & Bielski, 2017) and those which inhibit them. According to the respondents, the most beneficial actions that were taken by the local authorities to support entrepreneurship was reduction of taxes on buildings, land and employment (54.0%), as well as reduction of the bank credit interest (42.0%). The respondents appreciated the development of infrastructure (22.0%); supportive policy of the state promoting the sector of small and medium companies (18.0%), increase in the demand for manufactured or offered products or services (16.0%), easier access to preferential credits (14.0%), and an increase in activeness of local authorities in relation to the sector of SMC (6.0%) – the data is included in Table 1.

Table 1 Factors that affect the development of entrepreneurship in rural areas in the opinion of respondents

<table>
<thead>
<tr>
<th>Specification</th>
<th>Number of responses</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax reduction</td>
<td>27</td>
<td>54.0</td>
</tr>
<tr>
<td>Credit interest reduction</td>
<td>21</td>
<td>42.0</td>
</tr>
<tr>
<td>Infrastructure development</td>
<td>11</td>
<td>22.0</td>
</tr>
<tr>
<td>Increase in the government interest in Small and Medium companies</td>
<td>9</td>
<td>18.0</td>
</tr>
<tr>
<td>Increase in demand</td>
<td>8</td>
<td>16.0</td>
</tr>
<tr>
<td>Easier access to preferential credits</td>
<td>7</td>
<td>14.0</td>
</tr>
</tbody>
</table>
Apart from the factors which are supportive for creation and development of non-agricultural economic activity there are also obstacles to this activity (Meyer et al. 2016; Muhammad et al. 2017; Ryglova, 2007). The respondents are of the opinion that to high local taxes are the biggest obstacles to the development of economic activities (48.0%) and low profitability of the business (34.0%), that is, barriers of economic character (Table 2). Too high standards imposed by the European Union were also indicated (26.0%). Although the possibility of gaining an additional support, including EU funds, is attractive (Dobeš et al. 2017; Murray, 1998; Radicic & Pugh, 2017), it involves the need to comply with rules and conditions set by the EU. In the opinion of the respondents the remaining barriers limiting creation of new businesses were of economic social and organizational character. They include: lack of support (14.0%), lack of promotion on the part of the local market (6.0%), lack of customers interested in new products or services (6.0%) and unfriendly attitude of neighbors or other people toward competition (4.0%). It needs to be noted that 10.0% of the respondents noticed no difficulties in starting economic activity.

Table 2 **Difficulties involved in taking up economic activity in the opinion of respondents**

<table>
<thead>
<tr>
<th>Specification</th>
<th>Number of responses</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Too high local taxes</td>
<td>24</td>
<td>48.0</td>
</tr>
<tr>
<td>Low profitability</td>
<td>17</td>
<td>34.0</td>
</tr>
<tr>
<td>EU standards</td>
<td>13</td>
<td>26.0</td>
</tr>
<tr>
<td>Lack of support</td>
<td>7</td>
<td>14.0</td>
</tr>
<tr>
<td>Lack of difficulty</td>
<td>5</td>
<td>10.0</td>
</tr>
<tr>
<td>Lack of promotion of the local market</td>
<td>3</td>
<td>6.0</td>
</tr>
<tr>
<td>Lack of customers interested in the offer</td>
<td>3</td>
<td>6.0</td>
</tr>
<tr>
<td>Unfriendly attitude of neighbours/others</td>
<td>2</td>
<td>4.0</td>
</tr>
<tr>
<td>Total</td>
<td>74</td>
<td>148.0*</td>
</tr>
</tbody>
</table>

* Sum of responses exceeds 100.0%, because respondents could give more than one response

**Source:** Own research.
Analyzing the respondents' opinions on the subject of conditions and possibilities of economic activity development in the commune of Piotrków Kujawski it can be observed that its ability to boost economic activities is at a medium level. Half of the respondents find it to be average (52.0%), and 26.0% respondents think it is rather high. Only for 8.0% of entrepreneurs the commune conditions for creation of new economic entities are found to be rather poor. In turn 14.0% of the respondents were not able to provide their opinion on this subject (Figure 1). Thus, the survey results show that Piotrków Kujawski Commune can offer rather good conditions for new businesses to be set up.

Figure 1 Assessment of conditions and possibilities of economic activity development in Piotrków Kujawski commune in the opinion of the respondents (%)

Source: Own research.

Difficulties and obstacles appear not only upon starting a business. They also occur while its functioning (Greening et al. 1996; Knechel, 2007). In the opinion of the respondents it was the financial barrier which most often affected a company operation (42.0%). It leads to low incomes and high production costs or costs connected with purchasing materials and products necessary for the enterprise to keep functioning. Another difficulty indicated by the respondents was a small demand for offered services (38.0%) and existence of competitive facilities (26.0%). According to the respondents other barriers that inhibit functioning of enterprises include: local problems (14.0%) and administration barriers (6.0%), the first resulting from inconvenient location, e.g. too far to be available to customers or offering services inadequate to the demand the latter obstacles result from failure to comply with administration requirements or required terms. It needs to be noticed that as many as 40.0% of the respondents did not notice or did not have any problems with functioning of their enterprises (Figure 2).
Figure 2 *Types of obstacles that can be encountered during running a business according to the respondents (%)*

- no barriers: 40.0%
- cooperation with customers: 0.0%
- competition: 26.0%
- demand: 38.0%
- local: 14.0%
- administration: 6.0%
- fiscal: 0.0%
- legal: 0.0%
- financial: 42.0%

* Sum of responses exceeds 100.0%, as the respondents could provide more than one response

*Source: Own research.*

In order to encourage development of non-agricultural activity in a given area it is necessary to provide entrepreneurs with favorable conditions of growth (Geroski et al. 2010; Wiklund & Shepherd, 2005). The commune authorities play a very important role in this process (Bienkowska-Golasa, 2015; Johns & Mattsson, 2005). This brings profits both to individual companies, the inhabitants and the entire community, as it contributes to the whole area economic growth. The respondents were of the view that it was the rural areas of Piotrków Kujawski commune whose infrastructure was most invested in by the local authorities (70.0%). Particularly, in the last years the commune authorities put much effort into the local development providing financial means for road repair and restructuring, renovation of public utility buildings or construction of new facilities, according to the local demand. The next 36.0% of the respondents observed that actions of the local authorities to provide good conditions boosting small and medium enterprises. Also investments into social infrastructure were viewed as an increase in the quality of life in a given area, which activate inhabitants of rural areas. Other actions of the local self-government on behalf of non-agricultural activity include: relating the success of Small and Medium companies to the regional development strategy (30.0%), and subsequently to the economic growth. Only 10.0% of the respondents failed to notice any positive actions of local authorities (Table 3).
Table 3 **Actions of local authorities to support non-agricultural activity in Piotrków Kujawski commune according to the respondents**

<table>
<thead>
<tr>
<th>Specification</th>
<th>Number of responses</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure construction</td>
<td>35</td>
<td>70.0</td>
</tr>
<tr>
<td>Creation of appropriate conditions for the development of small and medium companies</td>
<td>18</td>
<td>36.0</td>
</tr>
<tr>
<td>Association of the success of small and medium companies with the strategy of regional development</td>
<td>15</td>
<td>30.0</td>
</tr>
<tr>
<td>Lack of effective actions</td>
<td>5</td>
<td>10.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>73</strong></td>
<td><strong>146.0</strong>*</td>
</tr>
</tbody>
</table>

* Sum of responses exceeds 100.0%, because the respondents could provide more than one response  
**Source:** Own research.

The local self-government can boost economic activities in a given area not only through construction and development of infrastructure (Bienkowska-Golasa, 2015). Another form of support that can be offered is organization of training courses (Prus & Drzazdzynska, 2017), or promotion of entrepreneurship among the inhabitants (Bienkowska-Golasa, 2015). Analyzing results of the survey it can be observed that as many as 62.0% of the respondents did not take advantage of any form of support offered by the local authorities or counseling centers to encourage inhabitants to take up economic activity (Table 4).

Table 4 **Form of support used by the respondents to take up an economic activity**

<table>
<thead>
<tr>
<th>Specification</th>
<th>Number of responses</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>YES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>trainings, courses</td>
<td>3</td>
<td>6.0</td>
</tr>
<tr>
<td>individual counselling</td>
<td>2</td>
<td>4.0</td>
</tr>
<tr>
<td>private counselling forms</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>support from the Town and Commune Office</td>
<td>14</td>
<td>28.0</td>
</tr>
<tr>
<td>financial support from Agency for Restructuring and Modernisation of Agriculture (ARMA)</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>others</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>NO</strong></td>
<td>31</td>
<td>62.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>50</td>
<td>100.0</td>
</tr>
</tbody>
</table>

**Source:** Own research.
Most of the remaining respondents took advantage of the support offered by The Town and Commune Council (28.0%), which involved focusing the attention of the inhabitants to alternative forms of employment outside agriculture, directing attention to the commune population biggest demands (upon taking decisions on the type and form of activity), and supporting people interested in searching for other sources of support and taking further steps to start economic activity. Other forms used by the respondents while undertaking economic activity included participation in different kinds of trainings and courses improving knowledge and qualifications (6.0%) and use of individual counseling (4.0%). According to the respondents, the number of courses in entrepreneurship organized in Piotrków Kujawski Commune was definitely too small as compared to those which refer to the subjects connected with agriculture or related to payments from European Union funds intended to support agricultural production.

The business registration may also be an obstacle that has to be overcome when establishing a company (Klapper et al. 2010). This is the administrative procedure that can make it easy or not. According to the respondents, in Piotrków Kujawski Commune this process is far too much bureaucratic (56.0%). Some respondents needed specialist advice to support completion of the required documents and found the whole process to be too complicated, though now it is possible to register a company online. 32.0% of the respondents were of the opinion that the process of a new company registration is slow and difficult. The remaining respondents found administrative procedures quite easy, though taking a longer time (6.0%) or a shorter time, the registration was believed to be a difficult and complicated process (Figure 3). Opinions of the respondents were diversified. The procedures might depend on the age and/or education of particular applicants and the knowledge of administration procedures.

Figure 3 Assesment of the business registration process in Piotrków Kujawski Commune according to the respondents (%)

- fast and difficult: 6.0
- fast and easy: 0.0
- slow and easy: 6.0
- slow and difficult: 32.0
- very bureaucratic: 56.0

Source: Own research.
4 Conclusions

Small and Medium Companies are a key element of a multi-functional development of the rural areas (North & Smallbone, 1996; Reardon et al. 2007; van der Ploeg & Roep, 2003). Their activity is based on utilization of rural areas resources such as: the location (Cifranič, 2016; Gubáňová et al. 2017), infrastructure (Grimes, 2000), human resources (Faggian et al. 2017; Skuras et al. 2005) etc. Own business is an important source of income and contributes to reduction of hidden unemployment in the rural areas. Insecure situation of agriculture makes farmers and other inhabitants search for other sources of income. Running a business allows to combine both activities. Thus, it is necessary to support this sector of economy as it boosts the local economic growth and is an important element of the national economy.

The survey results show that, among many other factors boosting a launch of one's own business, many respondents listed: decreasing property taxes and taxes connected with employment of workers as well as reduction of bank credit interest. Unfortunately, the respondents were aware of many barriers including: too high local taxes, numerous barriers of economic character (including low profitability of economic activities) and formal-administration obstacles (complicated, time consuming and bureaucratic process of business registration). According to the respondents, the most important investments undertaken by the local authorities supporting non-agricultural economic activity included: construction of infrastructure, providing appropriate conditions for a development of small and medium companies and tying the success of small and medium companies with the strategy of regional growth.

References


