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FACTORS AFFECTING RUNNING MICROENTERPRISES AND ITS DEVELOPEMENT ON THE AREA OF ŁOSICE COUNTY

CZYNNIKI WPŁYWAJĄCE NA PROWADZENIE I ROZWÓJ MIKROPRZEDSIĘBIORSTW NA TERENIE POWIATU ŁOSICKIEGO

Key words: **development, microenterprise, Łosice county**

Slowa kluczowe: rozwój, mikroprzedsiębiorstwa, powiat łosicki

JEL codes: Q01, Q57, R12

Abstract. The factors of entrepreneurship development were presented based on the research carried out in micro-enterprises located in Łosice county. The study included 40 companies employing up to 9 workers. The aim of the study was to attempt to point out factors that may have an influence on running microenterprises and their development due to the support they were provided by the institutions from their enterprise environment. The cooperation of the micro-enterprises with local government units and banks was taken into account. The studies indicate that entrepreneurs require from the local government high operation efficiency especially when it comes to the development and structure of the infrastructure (75%), which will provide a better functioning of their businesses. When it comes to the banking system, all the respondents cooperate with these institutions, because it is required by the law. The use of banking products and services supports and determines the activities of businesses to a large extent and for 60% of the respondents it is satisfactory and meets their expectations.

Introduction

In today's competitive environment, economic integration and globalization, entrepreneurship is an important factor for formation, survival and development of enterprises, all in all deciding on the development of the entire economy. Entrepreneurship means taking on one's own account, various operations, ideas that may lead to an improvement of living conditions [Pałasz 2005].

Entrepreneurship is an attitude of a human towards the environment in which they live and work. This attitude consists of many elements such as activity, innovation, risk tendency, adaptability, striving for development, etc. In economics, an entrepreneur is a person who organizes the factors of production (land, labor and capital) in order to make a profit. Entrepreneurship is sometimes regarded as a fourth factor of production, in addition to the three above-mentioned [Wilkin 1997]. The development of local entrepreneurship depends largely on the efficient working of the institutional system, mainly on actions taken by local governments in the field of socio-economic development of the country.

The institutional businesses environment create all the institutions belonging to the economic and social infrastructure that exist independently of a company which is affected by them. Local government institutions play very important role in this environment [Woś 1996].

Creation and operation of businesses is associated with the development and changes in the environment in which they operate. These changes are of a deliberate nature and therefore they are focused on the intended improvements of the actual situation. The concept of local development refers mainly to two concepts such as "territory" which relates to the development (of a commune, village council) and the concept of 'change'. The development of a commune and a county is crucial for creating the best living environment for its residents – living, work and rest conditions [Wojewódzka 2005].

Socio-economic development is achieved as a result of accumulation, creating and extending the actual size of the social product simultaneously with the changes of the institutions and eco-

nomic relations [Winiarski 1999]. Economic development of a particular area is determined by many factors, which include factors independent of a human, such as geographic location, terrain, climate as well as factors the level of which depends in particular on the state policy, the activity of local governments and the general population. To ensure socio-economic growth on a regional and local scale, it is necessary to take measures promoting local initiatives and supporting the structures of a region [Serafin 2001]. The chances of economic development of territorial units depend on the extent of investments made by investors (public and private). Community investments support the development of local businesses, create the local labor market and improve the standard of living of the dwellers [Dynowska, Rudowicz 2007].

Materials and methods

The study was conducted among micro-enterprises in the county of Łosice in Mazowieckie province. The only criterion used to qualify an enterprise to the study was the number of employees up to 9 people. Both the unit and its location were random. The study involved 40 micro-enterprises, which accounted for 1.75% of the total 2282 operating in the county. The research was carried out in 2015 based on the visit of the interviewer and the interview with the owner. The aim of the article was to attempt to point out factors that may have an influence on running microenterprises and their development in county of Łosice and the impact the institutions operating in their surroundings have on this development. In this study we used a survey method using a standardized questionnaire. The study and analysis of the collected material were used methods of statistics tabular – descriptive.

Results

Łosice county is located in Mazovian province and covers the area of 772 km². It includes the communities of: Łosice, Huszlew, Olszanka, Platerów, Sarnaki and Stara Kornica. This is the furthest to the east county situated in the Mazovian voivodeship.

The land form of the county aids development of agriculture. Unfortunately, most of the soil belongs to the low-quality classes: V, VI class in the area of Łosice and the western parts of the county; IIIa and IIIb in the central and southern parts. The best soils of class I and II – alluvial soils – occur mainly in the valley of the Bug River in the north. The location of the county in the climate region of Podlasie and Polesie makes it remain under the influence of continental climate. It emerges especially in large amplitudes of annual temperatures (22 to 23°C), low winter temperatures (-8.5 to -9°C), the predominance of summer downfalls over the winter ones, reduction of the interims between seasons, shorter growing season (200-210 days).

Time is crucial for a running business activity. The first years of operation are the most important and the most difficult. If the vision of a business proves to be well-chosen, and during this period the company sustains its appearance in the market then such company has a good chance of a long activity. In the last century 15 companies were established (37.5%). Therefore they have already gone through this difficult period. 25 companies were set up after the year 2000, but they can also be said to have coped with the first most difficult period. The youngest of the established companies was founded in 2012. The business activity profile in the surveyed enterprises varied. Most people, being as 28 are involved in trading activities and both services and trade ones. The activities being carried out in this field are related to retail and wholesale of industrial supplies, agricultural machinery maintenance, installation services, etc. The eight of the respondents are involved in national and international passenger and cargo transport service, which belong to the activities being chosen very often. Three people are operating in the field of production and service concerning windows, doors and kitchen furniture. The analyzed micro-enterprises employ from 2 to 7 people. The average employment was about 3 people and in total there were 118 employees.

Discussing the factors having an influence on the development of micro-enterprises one should determine their market position. The analysis of the companies' turnover structure by the area

of activity shows that the average of 80% of the turnover was directed at the local market, i.e. limited to the area of the county and the province. The other 20% of the turnover was related to the area of the rest part of the country and foreign countries. However, sales of their goods and services in foreign markets was declare only by 4 companies. The last years in Poland have been a period of major transformations resulting from the integration with the European Union on the one hand, and from the international crisis on the other hand. How have these processes affected increase in the number of customers in the surveyed companies? Nine of the respondents claims the number of customers to have increased over 100% for the last five years. Twelve people estimate it to be an increase from 50 to 100%. Eight people believe that it is an increase from 0 to 50%, and the other 11 respondents claim that the number of their customers remains unchanged.

Eighteen of the analyzed companies sell their products mainly in their own retail shops. The others provide their services or products directly to a customer or to other companies.

The competition analysis in Łosice county in the opinion of the surveyed entrepreneurs indicates that on average there are approximately 20 business units with a similar or the same activity per one company. However, there is wide variation among the respondents. Seven companies claim the competition they are concern to be approximately 100 companies. Another 11 respondents believe that is the number of 40-60 competitors. The others recon up to 10 companies to compete with them.

Specifying external factors of development, local conditions, which help or hamper running of a company, form an important issue (Tab. 1). Among the given answers, the majority of the factors is regarded by the respondents as having no impact on their business. As the most hampering the interviewees considered local and state taxes. On the other hand, among the conditions affecting the business positively access to markets was pointed most frequently.

The analysis of the issue concerning barriers of the development of entrepreneurship in the country has led to the conclusion that the greatest barriers the respondents see in domestic competition (28 responses), and in the access to the labour force and its cost (18 responses). So these are the barriers, which do not exceed beyond the borders of the state. This is among others due to the kind of business and its commercial catchment area that rarely expands over the boundaries of the county or province. The problems of entering the EU market and competing with companies operating there are weakly emphasized by the respondents.

Besides previously described local conditions, there are also economic factors that are of a great importance for the development of the company (Tab. 2). Most of the economic factors, in the opinion of the owners, have no impact on the company's operation or hampers its development. Among main factors inhibiting the development of the company respondents listed: local

Table 1. Local conditions affecting running a company

Tabela 1. Uwarunkowania lokalne wpływające na prowadzenie firmy

Specification/Wyszczególnienie	Local conditions/Uwarunkowania lokalne		
	helped/ pomagaly	no influence/ nie miały wpływu	hampered/ przeszkadzały
			number of responses/liczba odpowiedzi
Local authority strategy/Strategia władz lokalnych	7	31	2
Financial support of local authority/Pomoc finansowa władz lokalnych	3	37	-
Attitude of local authority to entrepreneurs/Stosunek władz lokalnych do przedsiębiorców	12	25	3
Local taxes/Podatki lokalne	-	18	22
State taxes/Podatki państowe	-	23	17
Local community training/Organizacja szkoleń dla społeczności lokalnej	6	34	-
Access to raw materials/Dostęp do surowców	4	36	-
Access to markets/Dostęp do rynków zbytu	16	19	5

Source: own calculations based on the survey research

Źródło: obliczenia własne na podstawie badań ankietowych

Table 2. Economic factors affecting a company development

Tabela 2. Czynniki ekonomiczne wpływające na rozwój firmy

Specification/Wyszczególnienie	Economic factors/ Czynniki ekonomiczne		
	helped/ pomagały	no influence/ nie miały wpływu	hampered/ przeszkadzały
	number of responses/liczba odpowiedzi		
Central administrative fees/Oplaty administracyjne	-	18	22
Interest rates on loans/Stopa kredytowa	-	12	28
Central taxes/Podatki centralne	-	23	17
Local taxes/Podatki lokalne	-	18	22
Setting a company proceeding/Procedura zakładania firmy	1	23	16
Purchasing power of customers/Sila nabywcza klientów	15	17	8
Economic growth/Wzrost gospodarczy	14	26	-
Current employment law/Obowiązujące prawo pracy	-	27	13
EU market opening/Otwarcie rynku UE	8	32	-

Source: own calculations based on the survey research

Źródło: obliczenia własne na podstawie badań ankietowych

taxes and central administrative fees and interest rates on loans. Among the factors that help in the development the respondents mentioned primarily the purchasing power of customers and the economic growth of the country as well as the opening of the EU market.

It is the entrepreneurs' deep belief that there is a need to support the development of the company by the local authorities. Such support is primarily expected in the shape of modern infrastructure (34 responses) and suitable background needed for functioning of entrepreneurship (6 responses). However, from the respondents point of view there is no need the local authorities to mediate between entrepreneurs in case of conflicts and they also do not mention granting licenses and permits as factors affecting the competition between them.

The document, which defines the directions of the business unit development is the development strategy. Most of the respondents do not know the strategy of their community development of (31 responses). Among the 9 ones familiar with this strategy, the three believe that it contains issues concerning development of small businesses. The others think that the strategy of development has no effect on the activity of their company. Only 5 respondents declared cooperation with local governments. It involved the support with seeking for workers, reduction operating costs by building infrastructure and support with finding trading markets.

The last external factor of the analyzed companies development, from their institutional environment, is banking system and its services. Everybody deals with banking in everyday life. There are few people who for example do not have a bank account which is indispensable while running a company. Most of the respondents have an accounts in cooperative banks (29 responses). The others in some commercial banks (11 responses).

Some of the respondents also uses the services of other financial institutions. These services were related to e.g. the leasing. In case of 8 respondents the leasing agreement was related to cars. Among the benefits of leasing for lessees its advantages in the field of entrepreneur's finance should be pointed out as the most important. The advantages of leasing in this matter concern primarily the possibility of functioning on the market, despite the lack of money in the coffers or on the bank account i.e. in other words, the possibility of financing their own investments from external assets, i.e. the means belonging to the lessor.

The possibility of using in one place a variety of services and products is an important advantage of banking system. All analyzed companies used current accounts in their banks. This is a common phenomenon, because they are required by the regulations applying to the registration of the company, besides having such accounts simplifies one's business. A lot of responses were related to the use of different credit instruments or investment credit (26 responses), credit cards (31 responses)

or credit lines (11 responses). The respondents also mentioned the possibility of using the Internet service and the possibility of investing their available financial resources, e.g. in investment funds.

A large offer of banking products and services in the majority of cases (24 responses) is satisfactory and meets the expectations of the respondents. However, the entrepreneurs mention some barriers occurring in the banks functioning, which hamper them or prevent them from wider use of the services offered by the bank. The respondents put too much formality and high cost of banking services first, as well as lack of an adequate offer tailored to their requirements. As it can be noticed the activity of banks on the one hand is satisfactory, but on the other hand they still face great opportunities to develop their products and services.

Conclusions

To sum up the above study about the aim of a study was to attempt to point out factors that may have an influence on running microenterprises and their development in the county of Łosice of micro-enterprises in the county of Łosice it can be concluded that the business environment especially institutional one has a significant impact on their activity. However, in the case of local government the cooperation with companies is not very common and underdeveloped. Nevertheless high operation efficiency is demanded by the entrepreneurs from the local government especially when it comes to the development and construction of the infrastructure (75%), which will ensure a better functioning of their businesses. The second element, which was mentioned, is the banking system. At this point the cooperation is on a much higher level (100%), but it is required by the law. The use of banking products and services supports and determines the businesses activity to a large extent and in the opinion of 60% of respondents it meets their expectations and is satisfactory.

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Streszczenie

Celem badań była próba wskazania na czynniki, które mogą mieć wpływ na prowadzenie i rozwój mikroprzedsiębiorstw na skutek wsparcia udzielanego im przez instytucje z ich otoczeniem. Badaniami objęto 40 firm zatrudniających do 9 pracowników. Pod uwagę wzięto współpracę mikroprzedsiębiorstw z jednostkami samorządu terytorialnego oraz bankami. Badania wskazują, że przedsiębiorcy wymagają od instytucji samorządowych dużej sprawności działania, szczególnie jeśli chodzi o rozwój i budowę infrastruktury (75%), która zapewni lepsze funkcjonowanie ich przedsiębiorstw. Jeśli chodzi system bankowy, wszystkie badane przedsiębiorstwa współpracowały z tymi instytucjami, ponieważ wymagana tego prawa. Korzystanie z produktów i usług bankowych w dużym stopniu wspomaga oraz determinuje działalność przedsiębiorstw i dla 60% ankietowanych spełnia ich oczekiwania i jest satysfakcjonującą.