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ENTREPRENEURSHIP IN THE MULTIFUNCTIONAL DEVELOPMENT OF RURAL AREAS WITH DIVERSIFIED NATURAL POTENTIAL

Key words: entrepreneurship, multifunctional development, environmental values, rural areas

ABSTRACT. The article assesses the natural conditions for the development of entrepreneurship, which is the basic determinant of the multifunctional development of a given territory. Achieving the objective formulated in this way, the answers to the following questions were sought: how do natural conditions, especially those considered valuable in terms of nature, affect the development of entrepreneurship – the dynamics and the structure of enterprises; do they favour diversification of economic entities and multifunctional development; how does the development of entrepreneurship translate into the use of endogenous resources of a given territory, into social processes (migration, unemployment, average wages)? The research (2012-2017) covered the region of Podkarpacie, with particular emphasis on counties with the highest and lowest share of natural value areas. The delimitation of counties was performed with the use of the complete linkage method, which allows one to distinguish subsets characterized by high internal similarity due to the adopted features. The research showed that natural values did not constitute an asset for the multifunctional development of these areas. This concerns both the development of the SME sector (the dynamics of the sector is lower than in the whole region and the compared group of counties) and the use of environmental values for the development of organic production - a clear decrease in the number of farms and the area of organic crops. The consequence of this is limited use of endogenous potential – high unemployment and high migration. This demonstrates the low effectiveness of cohesion policy and carries a high risk of depopulation of these areas, with all the complexity of such a process.

INTRODUCTION

Dynamic changes taking place in the Polish economy at the turn of the 20th and 21st centuries, under the influence of impulses of the competitive market economy, have a significant impact on agriculture and rural areas. They often lead to fundamental functional changes in many regions, especially in traditionally “agricultural” regions. It is becoming ever more evident that the basic function of agricultural farms related to food production is disappearing, as fewer agricultural farms are selling their products. This, in turn, is leading to a decrease in the importance of agriculture in shaping the income of the rural population. Also, the involvement of farms in the implementation of protective functions connected with shaping the quality of the environment and landscape values is decreasing.

As a result of these unfavourable functional changes, it is more commonly observed that, on many decision-making levels, the role and importance of agriculture and rural areas in the process of social and economic development of a specific territory is underestimated. What is overlooked are the consequences of the limited use of human resources connected with the farm and natural potential, constituting an important endogenous resource of the farm and the space in which it functions. As a result, not only does this lead to a waste of resources, but also to problems with the implementation of the concept of the sustainable development of these areas [Wilkin 2013]. In such a situation, their multifunctional development, based on a diversified structure of local economy [Stanny 2013], reflected in the development of broadly understood entrepreneurship, becomes particularly important for the development of rural areas and for the inhibition of unfavourable tendencies occurring there. The implementation of the multifunctional development concept of agriculture and rural areas is not possible without institutional support at a local level or instruments of social and economic policy implemented at various levels. Its priorities and instruments for their implementation translate in practice into specific national strategies, as well as those implemented at lower administrative levels.

A particular role is played here by EU policy instruments, which serve the implementation of specific, variable objectives. With regard to agriculture and rural areas, the 1990s saw a radical shift in the priorities pursued. There is a shift away from supporting industrial agriculture development, which is intensive, towards multifunctional, sustainable rural development. This was reflected both in the objectives of the EU cohesion policy, the overarching priority of which was sustainable development as a way of introducing constitutional principles of a social market economy, as well as WPR, implemented *inter alia* through operational programmes for rural development and agriculture – SPO 2004-2006, PROW 2007-2013, rural renewal programmes, Agenda 21, LEADER and the revitalisation and adjustment of rural areas to the declining population [Wilczyński 2013]. Poland, being a full member of the EU since 2004, had the possibility to use a whole range of instruments serving the multifunctional, sustainable development of rural areas. An indirect determinant of the effectiveness of the implementation of policy assumptions related to the improvement of social and economic cohesion and the implementation of orders constituting the basis for multifunctional sustainable development of rural areas is entrepreneurship development in a specific territory. The entrepreneurship development is of particular importance for areas poorly urbanised with a dominance of fragmented agriculture, where there is a need to obtain additional income compensating for losses resulting from the disappearance of the production function of agricultural farms.

The multifunctional development of rural areas requires stimulation that allows for the optimal use of diversified endogenous potential, especially stimulation that determines the specificity of a given territory, which includes, *inter alia*, naturally valuable values of the natural environment. In this context, it is important to recognize how these environmental values are used in shaping multifunctional development, how they affect entrepreneurship development, which is an important element of this process and whether the entrepreneurship development in such a territory differs from the development in areas without such potential. This is necessary and important for the effective stimulation of development processes taking place in such a diverse social and economic space for the evaluation of the effectiveness of implemented policies and development strategies of territorial units.

The main objective of the study is to assess the use of natural conditions for the development of entrepreneurship¹, which is an important factor in the multifunctional development of a given territory. Achieving the objective formulated in this way, the answers to the following questions were sought: how do natural conditions, especially those considered valuable in terms of nature, affect the development of entrepreneurship - the dynamics and the structure of enterprises; do they favour the diversification of economic entities and multifunctional development; how does the development of entrepreneurship translate into the use of endogenous resources of a given territory and into social processes (migration, unemployment, average wages)?

MATERIAL AND RESEARCH METHODS

The work presents some of the results of a broader research on entrepreneurship and demographic processes in poorly urbanized regions at risk of marginalization. It was limited to researching entrepreneurship in the context of the SME sector and the activity of households related to agritourism and organic production, which are a manifestation of the diversification of their activities. The time scope of the research covers the years 2012-2017. The area of detailed research is the Podkarpackie region, more precisely, two groups of counties with substantially different natural conditions. It was assumed that all territorial units had access to socio-economic policy instruments, including EU funds. Therefore, they could achieve the objectives related to rural development conducive to their multifunctional, sustainable development. Therefore, at this stage, the volume and types of funds obtained for the implementation of such objectives were not analysed, only the development of this entrepreneurship treated as the effect of the implementation of the concept of multifunctional development. Based on the assumption that development takes place in a diverse space, the specificity of which often has a decisive impact on the level, pace and directions of occurring changes, for the purposes of the study, the research area was delimited taking into account two important factors of rural development: the values of the natural environment and the demographic factor. The values of the natural environment determine the specificity of a given area, which should be used in determining priorities for its development [Ślusarz 2016], be an asset in the process of diversifying economic activity and promote multifunctional development [Ślusarz, Gołębiowska 2014]. At the same time, without adequate demographic potential, development is hindered in both economic and social spheres. Hence, the examination of processes in separate units

¹ Entrepreneurship is an interdisciplinary and ambiguous concept. In economic sciences, regardless of the way it is defined, it is widely perceived as a process in which the establishment of a company is an important stage [Zięba 2011], but it is also connected with the development of entrepreneurial skills of employees - intraentrepreneurship [Gorzelań-Dziadkowiec 2014] allowing to take advantage of opportunities appearing on the market and develop in competitive conditions. In the study, the development of entrepreneurship was evaluated from the perspective of the development of the SME sector (which is related to the process of establishing and running a company) and through agri-tourism and organic production. The latter was considered to be the entrepreneurial behaviour of farms (diversification of activities) related to the use of opportunities resulting from the values of the natural environment (use of the specificity of the territory).

that are fundamentally different from each other in relation to the above-mentioned factors and, at the same time, internally coherent, gives the basis for inference about the impact of the natural environment on the development of entrepreneurship.

The delimitation of counties was performed with the use of the complete linkage method, which allows one to distinguish subsets characterized by high internal similarity due to adopted features. In this case, the variables were: share of legally protected areas, forest cover, share of arable land and population density. Euclid's metric was used as a measure of distance. Assuming a linkage distance at a level of 75, four different subsets were obtained [Cierpień-Wolan, Ślusarz 2019]. The group with the highest share of valuable natural areas includes five counties: Bieszczadzki, Leski, Lubaczowski, Przemyski and Sanocki (in further considerations this subset will be referred to as group A), while the subset with the lowest share of valuable natural areas consists of the following counties: Dębicki, Łańcucki and Mielecki (Figure 1). This subset will be referred to as group B. The presented analysis is based on the studies of the Statistical Office in Rzeszów and the literature on the subject.

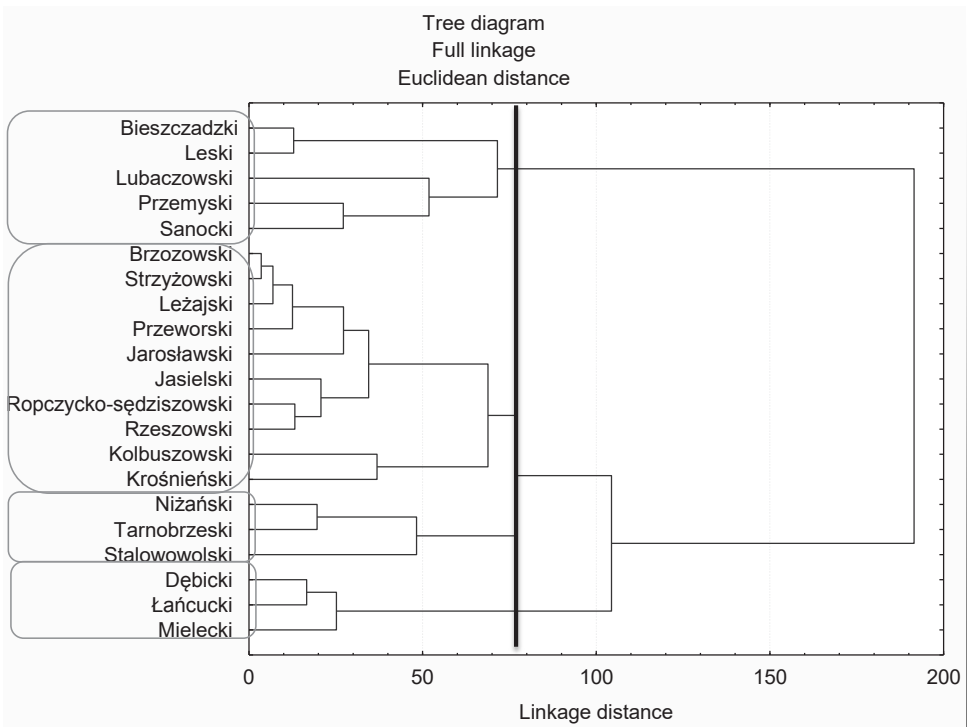


Figure 1. Delimitation of research area by counties

Source: own elaboration based on data from the Statistical Office in Rzeszów

THE RESULTS OF THE RESEARCH

Multifunctional rural development is a complex and difficult process that should be considered taking into account the spatial differentiation of the development potential of these areas. This is important, bearing in mind the need for institutional support in the context of improving social, economic and spatial cohesion. The proposed delimitation allowed to isolate parts with substantially different areas as well as natural and demographic potential, i.e. key factors for rural development. It is significant that group A (a subset of counties with high natural values) covers over 30% of the region's area. This is the effect of the adopted criteria of delimitation, but, at the same time, reflects the specificity of the region, which is among the regions that lead in this respect in the country. A large share of area does not match demographic potential. It is inhabited by only 12.9% of the population of the region and is much less than the counties forming group B (11.8% of the area) inhabited by 16.6% of the population of the region. In both cases we are dealing with subgroups with a very low urbanization rate, significantly different from the average for the region, where only 41.4% of the population lived in cities (Table 1).

Table 1. Selected indicators characterizing the research area – 2017 and selected dynamics indicators (2012 = 100%)

Specification	Group A	Group B	Region
Area [% of total]	32.5%	11.8	100.0
Population [% of total]	12.9 %	16.6	100.0
Population dynamics [%]	99.0	100.0	99.9
Urbanization rate [%]	28.3	33.2	41.4
Population density person/km ²	47.4	163.3	119.0
Unemployment rate [%]	12.9	7.9	9.6
Net migration person/1,000 inhabitants	-12	-2	-0.08
Number of enterprises per 10,000 inhabitants	805.8	755.9	803.5
Growth rate of enterprises	106.8	110.8	110.3
Average gross salary [PLN/month]	3,625.8	3,720.5	3,837.2
Average farm area in hectares	6.5	4.5	4.8
Forest cover [%]	55.8	27.3	33.8
Share of forests in the forest area of the region [%]	45.0	7.5	100.0
Protected area [%]	63.3	12.5	44.9
Organic land [% of total]	32.4	8.7	100.0
Dynamics of organic farms			61.5
Number of agritourism farms	531	47	902
Dynamics of agritourism farms	121.8	63.5	99.3

Source: own study based on data from the Statistical Office in Rzeszów

The consequence of this condition is not only significant differences in population density, but also the resulting effects, among others, the cost of spatial development, the cost of services under the responsibility of local governments, or demand on local markets, which ultimately translate into the attractiveness of economic activity location, or the broadly understood quality of life and the related attractiveness of the place of residence. Counties included in group A are not only characterized by high forest cover, a large share of protected areas or a large share of organic land but, at the same time, a significant part of these lands occurring in the region is concentrated on their territory. From the point of view of territory specificity, this is undoubtedly a distinguishing feature of this area which should be used as an asset in diversifying the economic structure conducive to multifunctional development. For multifunctional development, entrepreneurship related to non-agricultural economic activity is an important alternative to developing resources that are less and less used on farms. In fact, this is related to the development of the SME sector. In the area covered by the research, enterprises in this sector only constituted 7.5% of the region's enterprises, of which only 2.3% was in group A. This is not much, taking into account the area of this subgroup, the number of inhabitants and the indicated natural attractiveness of these areas that should constitute an additional demand-forming factor. In light of the above, the rate of saturation for enterprises, which is often used as a measure of entrepreneurship development, should be treated with caution. The highest level of this indicator occurs in group A. It is not so much a reflection of high development, but rather the result of low population density. This thesis is confirmed by a detailed analysis of this indicator including all counties of the region. Group A included counties representing extreme cases, i.e. Bieszczadzki and Leski counties – the highest indicators in the region (not only exceeding the average for the region, but also significantly higher for the country) and, at the same time, characterized by the lowest population density, and the Lubaczowski and Przemyski counties – the lowest saturation with entrepreneurship, but also a much higher population density (Figure 2, Table 1).

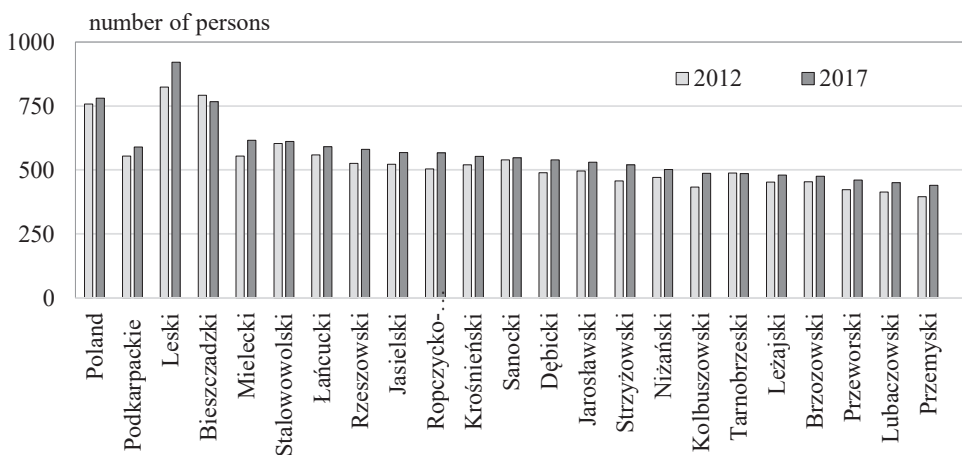


Figure 2. Enterprises – natural persons per 10,000 population

Source: own calculations based on data from the Statistical Office in Rzeszów

Assessing the development of entrepreneurship through quantitative changes, it can be concluded that, in the research period, there was a positive trend both in the analysed groups and in the region. At the same time, the dynamics of this process was the lowest in group A, i.e. the group with high natural environment values, where there were relatively fewer enterprises. Therefore, natural values did not constitute a factor that reinvigorates the development of entrepreneurship and did not have a significant impact on the diversification of the structure of enterprises. The latter statement is based on the analysis of the structure of enterprises with respect to employment size. It turns out that, in the period covered by the survey, entities employing up to 9 persons (over 95%) are definitely predominant, followed by enterprises employing 12 to 49 persons. Differences between groups and between the compared periods are within 1 percentage point, so it is difficult to talk about structural changes or differences between groups here. Differentiation between groups can be seen in the economic sphere related to agriculture. Group A is characterised by the largest average area of farms and there are elements indicating certain signs of using natural environment values in diversifying the function of farms. This is indicated by a high share of organic land constituting 32.4% of all such land in the region. It should be added, however, that the area of this land in the group as well as in the region unfortunately shows a downward trend. Much better use is made of natural values in the development of agri-tourism, which is indicated by the fact that more than 50% of agri-tourism farms in Podkarpacie are in this subgroup. Additionally, in the period under study, the high dynamics of these farms was recorded – over 121% (Table 1). However, detailed analysis indicates that this does not apply to the entire territory of subgroup A, as there is a high concentration of these farms in several mountain gminas of Bieszczadzki and Leski counties (73.8% of agri-tourism farms of the group), with a long tradition of conducting this form of economic activity. Therefore, it can be concluded that entrepreneurship in areas characterised by high natural values showed low dynamics, thus did not favour their multifunctional development. Rural areas are often not transformed into multifunctional systems due to the disappearing demand for local services and goods - service functions are dying, which is one of the reasons for the depopulation of these areas [Heffner 2013]. The consequence of this is higher unemployment than in the region, a high negative balance of migration and a much lower gross salary than in the region, and salaries in the region are among the lowest in the country (Table 1), which proves the low economic potential of the studied area, and the natural potential at the present stage is not an asset in the diversification of the economy and is not conducive to its multifunctional development.

SUMMARY

The multi-functional development of rural areas is perceived as a concept conducive to improving the use of their endogenous potential, diversifying the economy thus contributing to the creation of new jobs, additional sources of income, and limiting unemployment and migration from poorly urbanised areas. The values of the natural environment determine the specificity of a given territory and are generally considered an asset in the diversification of the economy of rural areas in its multifunctional development. Diversification in areas of high

natural value should be connected with entrepreneurship in agricultural and non-agricultural spheres related to the development of the SME sector, but also with the diversification of farm activity in line with the specificity of the territory in which they operate.

The research showed that natural values did not constitute an asset for the multifunctional development of areas that possessed them. This concerns both the development of the SME sector (the dynamics of the sector was lower than in the whole region and the compared group of counties) and the use of environmental values for the development of organic production – a clear decrease in the number of farms and the area of organic crops. Only agri-tourism developed better in these areas. At the same time, the development was quite concentrated, mainly on mountainous areas.

Therefore, it can be said that this concept was not implemented in the territory in question. The consequence of this is limited use of endogenous potential – continuously high unemployment, high migration and a potentially high risk of area depopulation. This confirms that the concept of the multifunctional development of rural areas, despite the fact that it has achieved a rich theoretical heritage, is difficult to implement in economic reality. It not only requires the availability of specific instruments of social and economic policy, but above all systematic stimulation adapted to the specificity of a given territory and coordinated action at all levels of management of territorial units responsible for the development of a given territory, allowing for the optimal use of the diversified potential of regions.

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PRZEDSIĘBIORCZOŚĆ W WIELOFUNKCYJNYM ROZWOJU OBSZARÓW WIEJSKICH O ZRÓŻNICOWANYM POTENCJALE PRZYRODNICZYM

Słowa kluczowe: przedsiębiorczość, wielofunkcyjny rozwój, walory środowiska, obszary wiejskie

ABSTRAKT

Celem głównym opracowania jest ocena wykorzystania uwarunkowań przyrodniczych dla rozwoju przedsiębiorczości, stanowiącej ważny czynnik wielofunkcyjnego rozwoju danego terytorium. Realizując tak sformułowany cel, poszukiwano odpowiedzi na następujące pytania: jak uwarunkowania przyrodnicze, a zwłaszcza te uważane za cenne przyrodniczo, wpływają na rozwój przedsiębiorczości – na dynamikę i strukturę przedsiębiorstw; czy sprzyjają dywersyfikacji podmiotów gospodarczych i wielofunkcyjnemu rozwojowi; jak rozwój przedsiębiorczości przekłada się na wykorzystanie endogenicznych zasobów danego terytorium, na procesy społeczne (migracje, bezrobocie, średnie płace). Badania dotyczyły lat 2012-2017 i objęto nimi region Podkarpacia ze szczególnym uwzględnieniem powiatów o najwyższym i najniższym udziale obszarów cennych przyrodniczo. Delimitacji powiatów dokonano za pomocą metody pełnego wiązania, pozwalającej wyodrębnić podzbiory charakteryzujące się dużym podobieństwem wewnętrznym ze względu na przyjęte cechy. Badania wykazały, że walory przyrodnicze nie stanowiły atutu dla wielofunkcyjnego rozwoju tych terenów. Dotyczyło to zarówno rozwoju sektora MSP (dynamika sektora niższa niż w całym regionie i porównywanej grupie powiatów), jak i wykorzystania walorów środowiska dla rozwoju produkcji ekologicznej – wyraźny spadek liczby gospodarstw i zmniejszenie powierzchni upraw ekologicznych. Konsekwencją tego jest ograniczone wykorzystanie endogenicznego potencjału – duże zagrożenie depopulacją tych terenów z całą złożonością takiego procesu.

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