



## **Barriers to development of entrepreneurship in management of selected rural areas in Poland**

**Marta Kadłubek**

Faculty of Management, Czestochowa University of Technology  
Al. Armii Krajowej 19 B, 42-200 Czestochowa, Poland

E-mail address: [martakadlubek@wp.pl](mailto:martakadlubek@wp.pl)

### **ABSTRACT**

**Background and Aims:** The aim of the paper is to assess the level of significance of individual barriers constraining the development of entrepreneurship in the selected rural areas of Czestochowa Country in Central Poland, on the basis of the conducted empirical studies. **Methods:** Some light on what could increase the economic activity of rural areas is thrown by the information on the significance of some barriers, obtained due to the use of such research methods as the questionnaire and the interview. The main source of the applied data is 135 questionnaires and 6 standardized interviews. **Results:** On the basis of the opinion of the respondents and the representatives of the local authorities, there were classified individual barriers to entrepreneurship, from the point of view of their impact on the development of this phenomenon. The basis for the formulation of the overall assessment was the average calculated on the basis of partial evaluation of twenty highlighted factors hindering economic progress in the area. **Conclusions:** The hypothesis stating that the most serious barrier to the development of entrepreneurship in rural areas is lack of money has been verified positively.

**Keywords:** entrepreneurship, development, management, economic activity, rural areas, barriers

### **1. INTRODUCTION**

Entrepreneurship is a social and economic phenomenon the boom of which is being noticed all over the world. In Poland, the development of entrepreneurship took place in the early nineties of the twentieth century as a result of the introduction of economic

liberalization principles. The change in the economic policy of the country brought about that entrepreneurship became one of the main factors affecting structural and social changes taking place at that time (Stachowicz et al., 2014).

Entrepreneurship is an ambiguous and multi-faceted term, therefore, there are a lot of definitions of this concept. It is interdisciplinary in its nature, which is the main reason for Wiklund (et al., 2011) to emphasize that entrepreneurship scholars have yet to reach a common definition of the idea. Depending on the focus on the research undertaken, various explanations are used by the theoreticians and practitioners. In literature, a lot of definitions of entrepreneurship refer to the terms of the process directed towards using opportunities, possibilities and resources (Castano et al.; 2015, Faggio and Silva, 2014; Gregorczyk et al., 2010; Kościelniak, 2013; Tomski, 2014; Williams and Nadin, 2010). Definitions of entrepreneurship mostly include such constituents as: dynamism, innovativeness, creativity, flexibility and willingness to take risk (Ingaldi, 2013; Ochojski et al., 2006). Therefore, the essence of entrepreneurship is to search for and use the opportunity for a new benefit (income, increase in value) by means of a unique combination of resources (also the ones over which there is no direct control) (Barczyk, 2004; Prusak et al., 2012). Drucker (2006) defines entrepreneurship as the ability to create something new and different. Similarly in Darmadji (2016) point of view the entrepreneurship is ability in creative thinking and innovative behavior as basic, resources, propulsion, goals, tactics and tips in the face of life's challenges. Suryana (2006) indicates that entrepreneurship covers all functions, activities and actions related to gaining the opportunities as well as formation of business organization.

In reference to the entrepreneurship in rural areas, Meredith (1996) proposed to consider its importance in the aspect of measuring the background, motivation and skill ability, gradually influence the decision-making process, technical and biological processes, and finally affect the rural output measured by technical efficiency, price and economic efficiency. According to Priyanto (2006) presents the entrepreneurial variables as latent variables that affect the performance of entrepreneurship in rural areas.

Numerous aspects contributing to the essence of entrepreneurial phenomena brought about that entrepreneurship in general and the entrepreneurship in rural areas, have become the recognized area of scientific research. From the point of view of further considerations in this field, there has been adopted the definition by Wiatrak (1995), combining these two phenomena, which says that entrepreneurship is an activity which aims at searching for new solutions, using the occurring opportunities, introducing changes in the existing activity and inventing actively additional and alternative sources of income.

Some light on what could increase the economic activity of rural areas is thrown by the information on the significance of some barriers, obtained due to the use of such research methods as the questionnaire and the interview.

The aim of the paper is to assess the level of significance of individual barriers constraining the development of entrepreneurship in the selected rural areas in Poland on the basis of the conducted empirical studies.

## **2. MATERIAL AND METHODS**

The spatial extent of the study included the selected areas of Czystochowa County (the central part of Poland – Figure 1), i.e. two types of municipalities: one urban-rural community

and five rural communities, namely the municipalities: Koniecpol, Lelów, Janów, Przyrów, Dąbrowa Zielona and Kłomnice.



**Figure 1.** Areas of Czestochowa County (the central part of Poland).

Source: [www.czestochowa.powiat.pl](http://www.czestochowa.powiat.pl)

The selection of the respondents was targeted. The population from among whom there were isolated the individuals for the study was the residents of the municipalities of Czestochowa County mentioned above.

The research sample was natural persons of working age (18-65), possessing grassland farms (farmers) and living in the area of the municipalities mentioned above. Moreover, six representatives of the municipalities and one representative of the County Office took part in the research.

The empirical analysis presented in the paper is based on the primary sources since the basic source of the depicted data is 135 questionnaires and six standardized interviews. The scope of the research was extended to free talks with the officials of the County Office in Czestochowa.

In the case of the questionnaire, the object of the research was the farmers, on the other hand, the interview was carried out among mayors or their representatives (mostly the people dealing with the issues of economic entities). The respondents amounted to 0.5% of the research sample and their number depended on the number of the population of working age in individual municipalities.

### 3. RESULTS AND DISCUSSION

On the basis of the opinion of the representatives of the local authorities, there were classified individual barriers to entrepreneurship from the point of view of their impact on the development of this phenomenon. The basis for the formulation of the overall assessment was the average calculated on the basis of partial evaluation of twenty highlighted factors hindering economic progress in the area. Each of the barriers listed in the question was assessed by the respondents on a scale of 1 to 5, where 1 amounts to an unimportant and 5 to a very important barrier. The detailed results of the analyses of this issue are shown in Tables 1-3.

The explanation to the indications included in Table 1-3 is the following:

- *BT* – barrier type (1 - psychological, 2 - social; 3 - economic; 4 - infrastructural; 5 – local government);
- *F* – the average by the farmers;
- *A* – the average by the authorities;
- *F average* – the average rating of all the respondents;
- *A average* – the average rating of the authorities in six examined municipalities;
- *F position* – the level of significance of the specific factor in the respondents' opinion (1 to 20, where 1 – the most important);
- *A position* – the level of significance of the specific factor in the authorities' opinion (1 to 14, where 1 – the most important);
- *A<sub>BT</sub> (A/F)* – the overall average for the specific barrier type;
- *P<sub>BT</sub> (A/F)* – the place the specific barrier type occupies against the background of other types of isolated factors.

**Table 1.** The listing of the opinions by the farmers and the local authorities on the significance of psychological and social barriers hindering the development of entrepreneurship in rural areas.

No	R B	BARRIER SPECIFICATION	Konięcpol		Lelów		Janów		Przyrów		Dąbrowa Zielona		Kłomnice		The average		Position		Ś <sub>RB</sub>		M <sub>RB</sub>	
			R	W	R	W	R	W	R	W	R	W	R	W	R	W	R	W	R	W	R	W
1.	1	Fear/concern	3.37	2.00	3.77	3.00	3.33	1.00	3.33	1.00	3.56	4.00	3.57	5.00	3.41	2.67	12	11	3.41	2.67	2	5
2.	2	Envy of others	2.50	2.00	2.37	3.00	2.73	1.00	3.00	1.00	2.71	4.00	3.00	2.00	2.59	2.20	20	14	3.35	3.42	4	4
3.		Lack of knowledge	3.81	5.00	3.43	4.00	3.73	4.00	3.20	4.00	3.67	5.00	3.71	5.00	3.64	4.50	7	1				
4.		Poor education	2.37	4.00	3.23	2.00	3.40	3.00	3.80	4.00	2.67	3.00	3.71	4.00	3.28	3.33	14	7				
5.		Lack of knowledge of public funding	3.80	4.00	4.03	5.00	4.33	2.00	3.93	3.00	3.44	4.00	3.50	4.00	3.89	3.67	3	5				

Source: Author’s own study based on the data obtained from the questionnaire conducted among the farmers and the interview with the authorities of the analyzed municipalities.

**Table 2.** The listing of the opinions by the farmers and the local authorities on the significance of economic and infrastructural barriers hindering the development of entrepreneurship in rural areas.

No	R B	BARRIER SPECIFICATION	Koniecpol		Lelów		Janów		Przyrów		Dąbrowa Zielona		Kłomnice		The average		Position		Ś <sub>RB</sub>		M <sub>RB</sub>	
			R	W	R	W	R	W	R	W	R	W	R	W	R	W	R	W	R	W	R	W
6.		Lack of money	4.27	5.00	4.40	4.00	4.73	5.00	4.53	5.00	4.11	4.00	4.57	4.00	4.39	4.50	1	1	3.80	3.53	1	3
7.		Low demand	3.40	4.00	3.60	4.00	3.87	1.00	3.80	2.00	2.89	4.00	4.00	4.00	3.54	2.50	9	12				
8.	3	Competitors	3.46	2.00	3.63	4.00	3.73	3.00	3.60	2.00	2.56	2.00	3.86	4.00	3.50	2.83	11	10				
9.		Access to credit	3.76	3.00	3.90	3.00	3.73	5.00	3.80	5.00	4.11	1.00	3.71	4.00	3.81	3.50	4	6				
10.		Costs	3.59	5.00	3.90	4.00	3.20	5.00	4.20	4.00	4.22	4.00	4.00	4.00	3.74	4.33	5	2				
11.	4	Lack of business environment institutions	3.09	4.00	3.29	4.00	2.73	4.00	3.80	4.00	3.89	5.00	3.50	4.00	3.24	4.20	15	3	3.39	4.00	3	1
12.		Infrastructure	3.47	4.00	3.63	2.00	4.13	4.00	3.33	5.00	2.89	4.00	3.33	4.00	3.52	3.83	10	4				

Source: Author’s own study based on the data obtained from the questionnaire conducted among the farmers and the interview with the authorities of the analyzed municipalities.

**Table 3.** The listing of the opinions by the farmers and the local authorities on the significance of local government barriers hindering the development of entrepreneurship in rural areas.

No	R B	BARRIER SPECIFICATION	Koniecpol		Lelów		Janów		Przyrów		Dąbrowa Zielona		Kłomnice		The average		Position		Ś <sub>RB</sub>		M <sub>RB</sub>	
			R	W	R	W	R	W	R	W	R	W	R	W	R	W	R	W	R	W	R	W
13.		Budget of the municipality	2.68	2.00	3.07	2.00	2.71	3.00	3.87	1.00	3.11	3.00	3.83	N	2.99	2.40	18	13	3.34	3.62	5	2
14.		Indifference of the authorities	2.69	4.00	3.29	1.00	2.67	3.00	4.07	3.00	2.22	5.00	3.33	3.00	2.97	3.20	19	8				
15.		Bureaucracy	3.40	4.00	4.13	2.00	3.73	3.00	4.07	1.00	3.33	3.00	4.17	4.00	3.71	2.83	6	10				
16.	5	Lack of cooperation	2.80	4.00	3.31	1.00	2.93	3.00	3.40	3.00	2.78	5.00	3.14	2.00	3.01	3.00	17	9				
17.		High taxes	3.76	4.00	4.10	2.00	4.40	4.00	4.07	4.00	4.33	2.00	4.00	N	3.99	3.20	2	8				
18.		Lack of vision and strategy	2.89	4.00	3.23	1.00	3.21	1.00	3.92	2.00	2.88	4.00	3.29	N	3.09	2.40	16	13				
19.		Lack of instruments	3.33	5.00	3.61	2.00	3.81	1.00	4.07	4.00	4.22	4.00	4.17	4.00	3.63	3.33	8	7				
20.		Lack of investors	2.95	4.00	3.59	2.00	2.93	2.00	3.60	4.00	4.50	4.00	4.33	4.00	3.30	3.33	13	7				

Source: Author’s own study based on the data obtained from the questionnaire conducted among the farmers and the interview with the authorities of the analyzed municipalities.

The Tables 1-3 clearly indicate that, in the municipalities under analysis, there occurred large variety in the assessment of impact of specific factors on entrepreneurship. The respondents, when requested to assess the impact of the specific factors on their activity, acknowledged that the most serious barrier to them is lack of money to set up and run a

business (the average rating in this case amounts to 4.43). The answer “5 – *very important*” in this case was mostly ticked by the people aged 25-34 with higher education. Most “5”s were ticked by the medium-sized farm owners. Less than 2% of university graduates regarded it as “*of little importance*”. Among the main barriers, in the second position, the respondents indicated too high taxes (4.00), in the third position – poor knowledge of the forms of aid offered to entrepreneurs (3.84). Many farmers also recognize difficulties in the access to credit (3.79) and high costs of procurement and production (3.77) as important factors. According to the surveyed inhabitants of the rural areas, another example of major difficulties is bureaucracy, which occupied the sixth position and lack of knowledge in the field of management, marketing, accounting etc. (the 7<sup>th</sup> position).

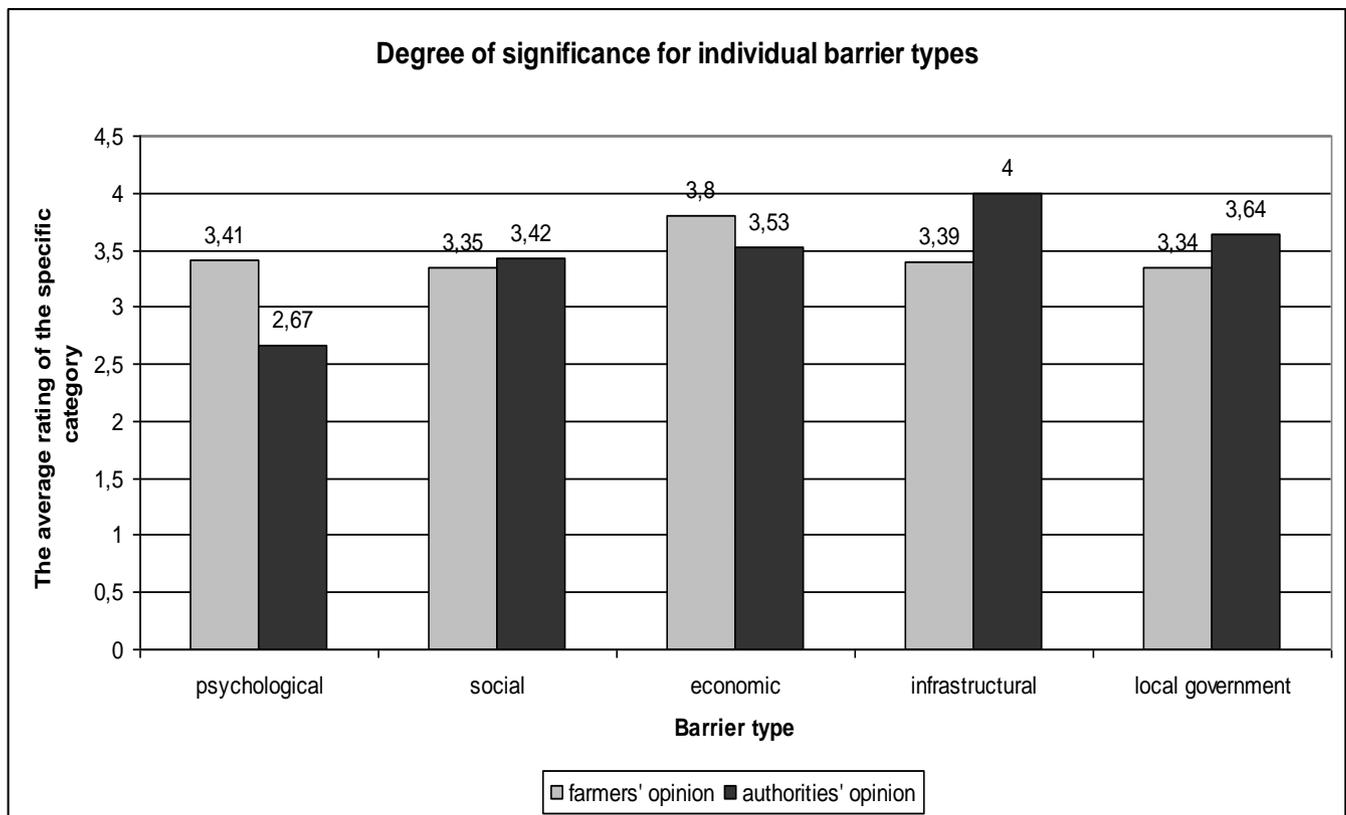
The fear of taking up a business activity which, according to the results of the nationwide study of rural entrepreneurship, was one of the most important barriers, in the opinion of the residents of Czeszochowa County, was beyond the top ten of the most significant factors (the average - 3.48 – the 11<sup>th</sup> position). The fear of taking up the activities at one's own risk and the related responsibility was mostly noticeable in the reaction of the youngest generation. Having analyzed the other age groups it can be concluded that the older the people the less the fear. The destimulant in the form of low level of education occupied the 14<sup>th</sup> position. The respondents, when discussing the issues of the difficulties they anticipated, relatively rarely listed: envy of others, indifferent attitude of authorities and insufficient funds in the municipal budget. The farmers, like the municipalities, are little concerned about envy, malice and jealousy of others. This problem was mostly noticed by the most numerous group of vocational school graduates. As a response to the main question, apart from the specific rating, it was possible to insert “X” in the column - “*I don't know*”. This possibility was used by the farmers several times. They mostly did not have the opinion on the significance of business institutions.

Among the people who stopped their business activity, the main reasons of failure were mostly associated with lack of money and shortage of instruments stimulating entrepreneurship i.e. allowance, exemption etc. Costs and bureaucracy were indicated a bit more rarely. Like the respondents who decided on giving up on conducting their own business activity, among the people who were about to begin it, the difficulties in the implementation of plans mainly referred to shortage of capital. Such conviction was expressed by every third person who was about to set up their own company.

The listed factors were differently evaluated by the farmers and the representatives of the public administration at the municipal level. According to the grassland farm owners, among the problem types, there predominate economic problems such as: lack of money, low demand, competition, availability of credit and excessive costs. The difficulties, classified as the ones connected with the policy and the functioning of local governments, occupied the last (fifth) position. The average rating of this barrier type amounts to 3.34. In turn, the representatives of the authorities recognized the infrastructural constraints, both the ones concerning technical equipment (sewerage system, water-supply system, roads) and the ones referring to the shortage of the number of business environment institutions, as the most dangerous barrier type. According to them, the psychological barrier is of the narrowest range. It is interesting that what is in the fifth position according to the farmers occupies the second position in the opinion of the authorities and, the opposite, what occupies the second position for the farmers takes the fifth position in the opinion of the authorities. This issue refers to psychological barriers and the ones resulting from the activity of local government

units. The largest discrepancy between the opinion of the landowners and the officials occurred with reference to the view on organizations supporting entrepreneurship. The absence of external investors in the area of the municipality is mostly experienced by the residents of the municipality of Dąbrowa Zielona (4.00) and Kłomnice (4.00). The respondents from Janów complained about poor knowledge of programs supporting entrepreneurs. It is also one of the two most important barriers for the community of the urban-rural municipality of Koniecpol (3.40).

While referring to the results of the research in this field there was made the listing presenting the main categories of the barriers (Figure 2).



**Figure 2.** The assessment of factors hindering the development of entrepreneurship in the opinion of the farmers and the authorities.

Source: Author’s own study based on the data coming from the questionnaire and the interview.

Local authorities' activity is based on the conviction that to boost the phenomenon of the economic activity in rural areas, it is necessary to focus mostly on acquiring knowledge, particularly in the field of marketing. According to them, apart from insufficient funds, the most significant is just lack of knowledge. Among the most burdensome barriers the municipalities also, the most often, listed high costs of activity. Moreover, local governments indicated the significance of the problem which corresponds to the insufficient number of institutions supporting business (4.17). In municipalities, the shortage of instruments supporting entrepreneurship and lack of investors are equally important (the average – 3.34 -

the 7<sup>th</sup> position). Interestingly, unfavorable budgetary position occupied next-to-last place on the list of the main barriers. The officials do not see the link between the proportion of the budget revenue and the economic situation of entrepreneurs. It is wrong thinking, among others, due to the fact that the volume of own revenues also proves the actual financial capabilities and economic independence of local authorities, which, in turn, is connected with greater possibilities to create and propagate the symptoms of entrepreneurship among the local community. According to the authorities, other unimportant constraints to economic development of rural areas include lack of vision of development of the municipality and the strategy of supporting entrepreneurship. On average, its rating amounted to 2.40, thus, it is the closest to the indication “2 – of little importance”. This statement is disturbing since the authorities should attach greater importance to strategic documents and their implementation.

Searching for similarities and differences in understanding and assessing individual issues in the opinion of the authorities and the residents was intentional and it was to indicate those areas which, in the opinion of both groups of respondents, are unimportant (1), of little importance (2), indifferent (3), important (4) and the most important (5). It can be concluded that the barriers hindering rural entrepreneurship in the field of economic activity were largely connected with the economic area since underdevelopment of entrepreneurship in rural areas, as the conducted analyses indicate, mostly results from lack of funds with potential investors.

According to the authorities, the main threat to the rural environment is unprofitable agricultural production. Overproduction of food and a fall in the price of agricultural products bring about that production in agricultural holdings is no longer profitable. Moreover, one of the major problems in rural areas is high unemployment.

#### **4. CONCLUSIONS**

The hypothesis stating that the most serious barrier to the development of entrepreneurship in rural areas is lack of money has been verified positively. The financial barrier constituted the greatest obstacle to the vast majority of the respondents of the survey. The psychological barrier, i.e. the fear of taking up a business activity, so far considered as significant, was of little importance. It is difficult to clearly answer the question how far it will be possible to activate the rural economy in the analyzed municipalities of Czeszochowa County. In spite of difficult conditions of management in rural areas, the hope for the improvement in the conditions of life of the rural population seems to be reasonable since, in the course of the studies, there was noticed broad interest in taking up an activity at own risk and responsibility.

Doubts mainly refer to lack of awareness of local authorities on how much they can do to encourage the society to the entrepreneurial activity. The conclusions coming from the conducted research may be most likely referred to many other rural areas in Poland. A new entrepreneurial way of thinking and acting of the inhabitants of rural areas is a great opportunity not only for the implementation of assumptions of multi-functional development of rural areas but, most of all, for creating the grounds for dynamic and sustainable economic growth in rural areas.

Becoming aware of the significance of the phenomenon of entrepreneurship and competitiveness may become a stimulus for the development of entrepreneurial behavior.

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