

---

## Subsidization of Entrepreneurship in Rural Areas in Poland: Scale, Effects and Regional Diversity

---

Submitted 13/02/20, 1st revision 16/03/20, 2nd revision 30/03/20, accepted 10/04/20

Agnieszka Kurdyś-Kujawska<sup>1</sup>, Agnieszka Sompolska-Rzechuła<sup>2</sup>

**Abstract:**

**Purpose:** The objective of this article is to deepen knowledge about public support for entrepreneurship in rural areas and to assess the scale and effects of this support considering the spatial context.

**Design/Methodology/Approach:** The study is based on a set of data from official reports of the Agency for Restructuring and Modernization of Agriculture. The analysis included programs supporting entrepreneurial initiatives in rural areas in Poland, implemented under the Rural Development Program 2007-2013 and 2014-2020.

**Findings:** The results show that the demand for support for economic initiatives in rural areas in Poland is high. The consumption of programs supporting the development of entrepreneurship in rural areas and the scale of their subsidization varies regionally and depends on the spatial context. The effects of this subsidization are visible in investments in fixed assets, improvement of farm infrastructure, restructuring in the production of food and non-food agricultural products, increase of employment in rural areas and generation change in the countryside.

**Practical Implications:** The study provides evidence of the effectiveness of subsidizing activities to support the development of entrepreneurship in rural areas and stresses the importance of regionalization of subsidizing agriculture and rural areas in the efficient allocation of public funds. In addition, the study highlights the need to continue this support and to develop new, complementary programs that will consider region-specific needs and their local conditions.

**Originality/Value:** This study contributes to literature, showing that the consumption of entrepreneurship support programs in rural areas varies considerably depending on the territorial context.

**Keywords:** Subsidies, rural entrepreneurship, spatial context.

**JEL code:** Q18; R12.

**Paper type:** Research study.

---

<sup>1</sup>Assistant Professor, Koszalin University of Technology, Faculty of Economics, Department of Finance, [agnieszka.kurdys-kujawska@tu.koszalin.pl](mailto:agnieszka.kurdys-kujawska@tu.koszalin.pl)

<sup>2</sup>Assistant Professor, West Pomerania University of Technology Szczecin, Faculty of Economics, Department of Applied Mathematics in Economics, [asompolska@zut.edu.pl](mailto:asompolska@zut.edu.pl)

## 1. Introduction

Entrepreneurship in modern economic theories is perceived as the main tool for generating change through which sustainable economic development will be achieved. Although this view is often geared towards urban areas, nowadays entrepreneurship is also seen as a strong engine for sustainable rural development (Gulumser *et al.*, 2009; Korsgaard *et al.*, 2015a; Harpa *et al.*, 2016; Goel and Jones, 2016; Dias *et al.*, 2019; Kakhi *et al.*, 2019). There is strong evidence that stimulating economic activity in rural areas increases the income of the rural population, increases employment (Pradhan and Talukdar, 2014), reduces poverty and migration (Ansari *et al.*, 2013; Gurbuz and Tipi, 2015; Vernet *et al.*, 2019; Thalassinos *et al.*, 2019), depopulation (Bencheva *et al.*, 2017) and improving the quality of life in the countryside (Babuchowska, 2019).

Subsidies for agriculture and rural areas is currently at the center of theoretical, practical and political interest. It is one of the most important priorities of agricultural policy and rural development as well as structural policies at the level of the European Union (Seuneker *et al.*, 2013; Fitz-Koch *et al.*, 2018). Rural development policies in Europe increasingly emphasize entrepreneurship to mobilize the endogenous economic potential of rural territories (Baumgartner *et al.*, 2013). This is because subsidies in conjunction with the entrepreneurship of the local population and their willingness to cooperate can significantly accelerate the development of rural areas (Zhao *et al.*, 2010; Zhang, 2010; Fan, 2015; Namiotko *et al.*, 2019). Nevertheless, the assessment of public support for entrepreneurship in rural areas is often overlooked in scientific research. Much research focuses on rural entrepreneurship, and few emphasize the role of subsidization in creating new economic initiatives in rural areas, considering the spatial context. This article aims to reduce this knowledge gap and provide an original contribution to existing evidence.

This study is a contribution to the discussion that has been going on for many years on the scale and entrepreneurship initiatives to be promoted to achieve the goals of sustainable agriculture and rural development in the most effective way. This discussion it also focuses on the effects of support programs and addresses the question to what extent public support actually stimulates the development of entrepreneurship in rural areas experience has shown that simply channeling money into rural areas is not enough to solve their problems and help them grow (OECD, 2006). A more targeted response and greater mobilization of local resources are needed.

An indication of the scale of consumption of entrepreneurship support programs in rural areas, their effects and where they are located is crucial for: a) designing effective programs for entrepreneurship development in rural areas, which will take into account regional specific needs and its local conditions, as well as the

expectations expressed by the inhabitants of rural areas; b) evaluation of already existing programs; and c) increasing the efficiency of public funds management.

It is particularly important now to assess the scale and effects of support when the debate on Common Agricultural Policy priorities and development needs after 2020 is initiated, as well as the need to effectively use EU support and create the highest possible European added value (Namiotko *et al.*, 2019). Due to the great importance of public support in creating entrepreneurship in rural areas, the research focused on examining the scale of subsidizing entrepreneurship in rural areas in Poland and its effects in the spatial context to explain how, where, and when entrepreneurship happens. The spatial context in this study refers to the socio-economic location where entrepreneurial processes take place (Korsgaard *et al.*, 2011; Korsgaard *et al.*, 2015b).

## **2. Literature Review**

Rural entrepreneurship is defined as entrepreneurship emerging at village level which can take place in a variety of fields of endeavour such as industry, business and agriculture (Jayadatta, 2017). Entrepreneurship in the countryside is synonymous with industrialization of rural areas (Kumar, 2016; Jayadatta, 2017; Sathya, 2019). It can be treated as an attempt to manage risk appropriate to the possibilities, as well as to mobilize human, material and financial resources to implement economic initiatives in rural areas (Saxena, 2012; Hansson *et al.*, 2013).

The perception of entrepreneurship in rural areas is different. Farmers consider undertaking business initiatives as a way to increase earnings on the farm (McElwee, 2006; Endo *et al.*, 2018), women see it as an employment prospect and a way to use their skills (Driga *et al.*, 2009; Vale and Corrêa e Reis, 2014), for young people it is a chance to work in their region and use its resources (Moreira and Martins, 2009; Nandanwar Kalpana, 2011; Zhu *et al.*, 2019). Public authorities, in turn, regard economic initiatives in rural areas as a key strategy for promoting local social development (North and Smallbone, 2006; McElwee, 2006; Driga *et al.*, 2009; Moreira and Martins, 2009). Entrepreneurship therefore plays a key role in transforming the local community (Nagler and Naude, 2014; Wosiek and Czudec, 2019) and stimulating development processes in rural areas (FAO, 1994).

It has been proven that public support for economic initiatives in rural areas increases entrepreneurship and diversification on farms, attracts new entities to rural areas and promotes regional development (Barbieri and Mahoney, 2009; European Commission, 2009; Vik and McElwee, 2011; Pilař *et al.*, 2012; Sternberg, 2012; Korsgaard *et al.*, 2015; Taghdisi *et al.*, 2015; De Rosa and McElwee, 2015; De Rosa and Bartoli, 2016; Dan Mihaela and Popescu, 2017; Peng and Liu, 2018; Kijek, 2019; Salehi Kakhki *et al.*, 2019). There is therefore no doubt that subsidizing entrepreneurship in rural areas plays an important role in the process of creating places, transforming rural space from "non-places" into an attractive place to work

and live (Havlicek *et al.*, 2013). The fall of rural areas will continue without public support, often leading to the relocation of people with the greatest intellectual, financial and social resources (Stouber, 2001).

Problems of agriculture and rural areas such as low profitability, depopulation or incomplete use of labor resources that most European countries must face, including Poland, force intensification of activities for the development of entrepreneurship in rural areas.

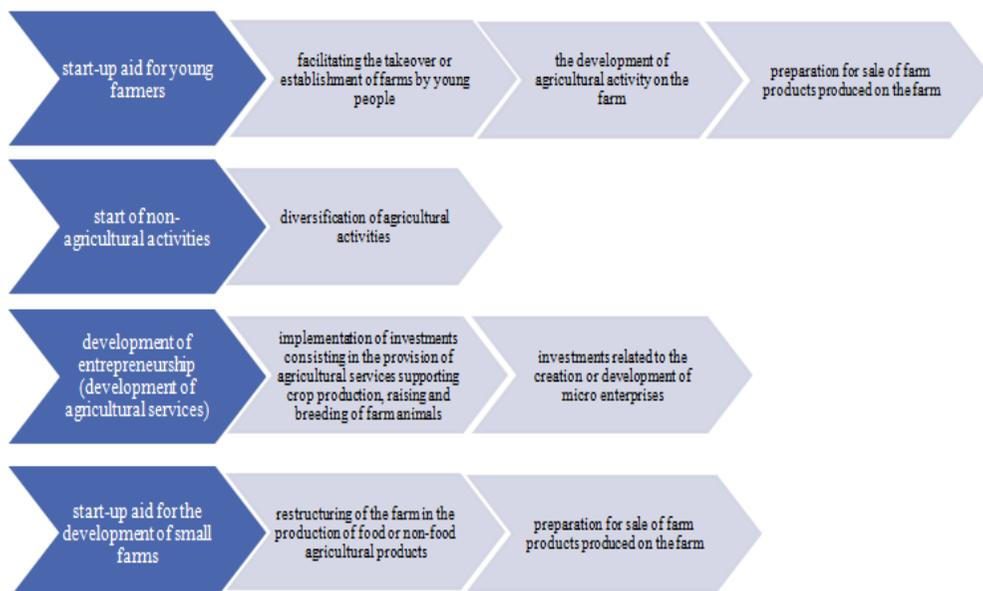
### 3. Material and Methods

The survey was based on data from the Agency for Restructuring and Modernization of Agriculture. The Agency for Restructuring and Modernization of Agriculture (ARMA) was established in 1994 with the aim to support agriculture and rural development in Poland. Following Poland's decision to join the European Union, ARMA has been designated by the Government of the Republic of Poland to perform the role of an accredited paying agency. The scope of ARMA's operation involves both the implementation of instruments co-financed from the European Union's budget as well as providing of aid from national funds. The activities implemented under the rural development programs adopted by the European Commission in 2007-2013 and 2014-2020 were analyzed.

Among the initiatives that can support entrepreneurship in rural areas, there are support for young entrepreneurs or small farms at the early stages of business creation and support for non-agricultural activities. These activities are financed from national resources and from the EAFRD (European Agricultural Fund for Rural Development (EU Funding, 2019)). The research covered four activities that are important for the development of entrepreneurship in rural areas in Poland. These activities were: (1) aid for starting business activities for non-agricultural activities in rural areas; (2) development of entrepreneurship (development of agricultural services); (3) start-up aid for young farmers; (4) and start-up aid for the development of small farms (Figure 1).

A detailed analysis of the collected material was carried out. Document studies were both quantitative and qualitative. In quantitative terms, data was obtained regarding the number of applications submitted, the number of beneficiaries, and the value of payments made. The qualitative aspect focused on obtaining data on the effects of this support. The scale of subsidizing entrepreneurship in rural areas in the spatial context was examined at the level of voivodships (separate administrative regions). Sixteen voivodships were taken for evaluation. The choice of units was purposeful, dictated by the desire to assess the scale of subsidizing entrepreneurship in rural areas in units of the same rank in the settlement network.

**Figure 1.** *Entrepreneurship support programs in rural areas in Poland*



*Source: Own study.*

## **4. Results and Discussion**

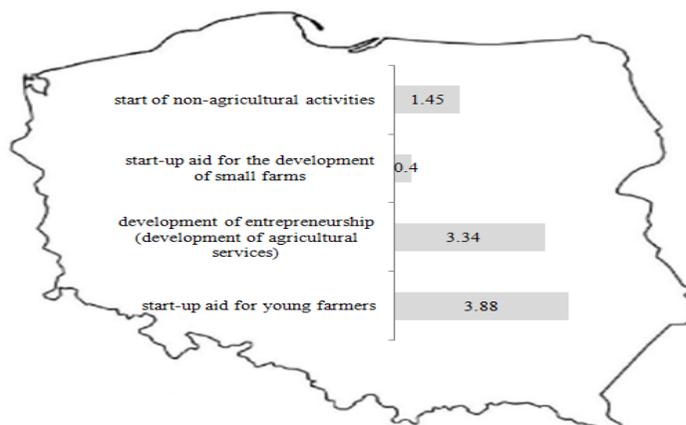
### **4.1 Scale of Subsidizing Entrepreneurship in Rural Areas**

Poland has a well-established system of support for economic initiatives in rural areas, which is based on European Union legislation and is supplemented by national regulations. Since 2004, when Poland became a member of the European community, EU funds were used for various agricultural support programs. Since 2007, the government's activities have focused on promoting rationalization and structural change in agriculture. The government's long-term goal for sustainable and sustainable rural development focuses on improving the quality of human and social capital, employment and entrepreneurship in the countryside, improving living conditions in rural areas and their spatial accessibility, increasing food security, increasing the efficiency and competitiveness of the agri-food sector, as well as supporting environmental protection and adaptation to climate change. The adopted priorities for rural development are in line with the priorities set out in the Partnership Agreement between Poland and the European Union in the part concerning support for intervention in rural areas (OECD, 2018).

The interest in public funds supporting entrepreneurship in rural areas in Poland is high. In 2007-2018, around 11.85% of Polish farmers applied for funding for entrepreneurial initiatives in rural areas the value of funds allocation for activities qualified for implementation amounted to PLN 8.97 billion, of which PLN 6.46

billion were EAFRD funds. Almost 80% of these funds were allocated to support the development of small businesses in rural areas (development of agricultural services) and to facilitate the start of young farmers. The remaining part of the funds supported activities aimed at diversifying towards non-agricultural activities (16.73%) and aid for starting business small farms (5.56%) (Figure 2).

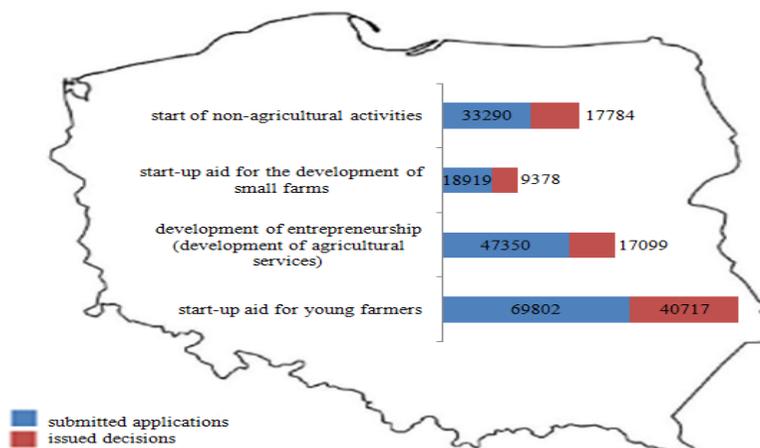
**Figure 2.** Allocation of funds for the development of entrepreneurship in rural areas in Poland in 2007-2018 (in PLN billion)



*Source:* Own study based on ARMA data.

Farmers were most interested in activities aimed at stimulating structural changes in the agricultural sector by facilitating the takeover or establishment of new farms by young farmers (Figure 3).

**Figure 3.** The number of applications and decisions issued for activities related to the development of entrepreneurship in rural areas in Poland in 2007-2018



*Source:* Own study based on ARMA data.

Support granted to the generation of successors fulfilling the mission of farming in agriculture includes three important processes such as replacement of farmers' generation and continuity of farming in agriculture, structural changes (improvement of agrarian structure) and improvement of competitiveness - economic efficiency of agriculture (Adamowicz and Szepeluk, 2016; Bartoli and De Rosa, 2013). Young people are an important rural development potential. Their involvement in economic activity in the countryside largely determines the future of the village. Young farmers are "new ecologists". They are aware of the problems and challenges related to sustainable agriculture and the role they play in protecting the environment in the future. Changes that occur on farms, thanks to public support, are based on the protection and improvement of environmental, social and economic sustainability.

Young farmers believe that the work they do on their farms should be considered a public good of civil society (CEJA, 2017). The young generation of farmers has the potential to stimulate structural changes using innovative technological solutions. They will seek and use new technologies to increase efficiency and profitability in a sustainable manner. It should be expected that the most important farming practices used by young farmers are compatible with environmental protection, biodiversity protection and climate change mitigation. That is, the most important problems facing the agricultural sector nowadays not only in Poland but all over the world.

The total number of beneficiaries of this measure was 47 646, and the amount of payments made was PLN 3.88 billion. On average PLN 81.408.20 per contract. Young farmers who took over or set up farms mostly invested in machinery and equipment for plant and animal production, modernized farm buildings and took measures to improve the infrastructure of the farm. So far published research results on the effects of financial support for farms run by young farmers are very positive. It was shown that farms of young farmers achieved better results than total farms, increased their economic size and value of assets, as well as equity and income from a family farm (Kołoszko-Chomentowska, 2010). It should be noted, however, that young people's interest in this form of entrepreneurship support has slightly decreased given the number of applications submitted. In 2008, 6495 applications were submitted under this measure, while 5413 in 2018 (a decrease of 16.66%). The amounts contracted for this purpose also decreased from PLN 245 million to PLN 46 million.

Farmers also largely benefited from public funds supporting the creation and development of enterprises (development of agricultural services). Farmers under this measure have submitted a total of 47.350 applications. 14195 beneficiaries (29.97%) received assistance. The value of support amounted to PLN 3.34 billion. The average project value was 235.000. It should be noted that the amount of funding for projects under this measure could not exceed 300.000 PLN per beneficiary and it was conditioned by the number of jobs that were created as a result of the implementation of the action. According to the assumption, the implementation of entrepreneurial initiatives under this program is to result in an increase in the

economic competitiveness of rural areas, development of entrepreneurship and the labor market, and, consequently, an increase in employment in rural areas. To date, funds allocated for this purpose have contributed to the increase in the diversification of agricultural activities, increase of agricultural income, escalation of market orientation and support of the value added of rural products. The intensification of non-agricultural activities and the transformation of agricultural products led to the creation of over 13.7 thousand jobs, including 11.9 thousand permanent and 1.8 thousand seasonal (ARMA, 2019). In the analyzed period, the number of beneficiaries applying for this type of support decreased by 38.04%. However, the amounts contracted for this purpose almost doubled from PLN 301 million to PLN 550 million.

An important activity that had an impact on the growth of entrepreneurial initiatives in rural areas was financial support intended to help start non-agricultural activities. It is an activity closely related to portfolio entrepreneurship, in which a person or group of people engages in many economic initiatives (Vesala and Vesala, 2010). This activity is of importance during the growing periods because it generates the cash flows needed to cover fixed costs such as loans and taxes (Barbieri and Mshenga, 2008). These activities are to contribute to reducing unemployment (including hidden unemployment (Murawska, 2015), creating jobs outside agriculture without changing the place of residence, limiting the ongoing migration from rural areas and satisfying the growing professional aspirations of rural youth (Ministry of Agriculture and Rural Development, 2019).

Involvement in non-agricultural activities, in addition to its contribution to the absorption of surplus labor in rural areas, can enable a reduction in income uncertainty, increase in agricultural productivity, and also be one of the possible strategies for adaptation to climate change (Kurdyś-Kujawska, 2016; Kurdyś-Kujawska *et al.*, 2018). In addition, the abandonment of agriculture as the only function of rural areas has, in many cases, enabled the maintenance of the basic form of activity, which is agriculture, especially in areas characterized by high agrarian fragmentation (Bogusz, 2018). In the analyzed years, farmers, household members or spouses of farmers submitted a total of 33290 applications for financial support for non-agricultural activities.

The total number of beneficiaries of the measure was 16232, and the value of support amounted to PLN 1.45 billion. The average value of the project was 89 thousand. The assessment of applications was based on bonus criteria, which put persons with professional qualifications in non-agricultural activities in a privileged position, age not exceeding 40, innovation on the scale of the commune in the area where the main place of business is located, implementation of operations in communes with high level of unemployment in the voivodship and creation, in addition to the time foreseen for the beneficiary, additional jobs. Additional points are also awarded to the beneficiary of payments for farmers transferring small farms, which indicates the synergy of actions aimed at developing non-agricultural activity in rural areas

(Ministry of Agriculture and Rural Development, 2019). In the total number of decisions granting aid 63.8% concerned farmers, 17.2% of farmers' spouses, 17.3% of household members of farmers and 1.7% payments to farmers eligible for the small farm scheme who permanently transferred his farm to another farmer (ARMA, 2019).

The financial support received by farmers was intended mainly for the purchase of fixed assets (machinery and equipment) used as part of their business, modernization and adjustment of utility rooms or covering the costs of obtaining current assets, training costs and other costs required for business development. In the analyzed period, as in the case of other measures supporting entrepreneurship in rural areas, interest in this form of assistance decreased by 36.40%, with a simultaneous decrease in the value of contracted amounts by 49.65%. Small farms are an important part of the agricultural sector in Poland. These farms, most of which are family farms, face major challenges due to current trends such as urban migration, population aging and climate change.

Small farms are crucial for the sustainable development of agriculture and rural areas. Without proper support, their existence may be at risk. The key to their success is commercialization and diversification (Pingali *et al.*, 2019). The structure and functions of rural areas, especially in today's conditions, provide and underpin the benefits for small and entrepreneurial entities. In fact, rural areas and the environment ensure the creation of new enterprises dealing in agritourism, organization of free time, management of the cultural heritage of the village and production of high-quality food, which are the domain of mainly small family businesses (Ansari *et al.*, 2013).

Assistance in developing business initiatives is a great opportunity for small farms to improve competitiveness and increase profitability by restructuring farms in the production of food or non-food agricultural products, as well as preparing for sale agricultural products produced on the farm. Increasing agricultural productivity and income in small farms is key to reducing poverty and improving the quality of life in rural areas (Abraham *et al.*, 2017). The action supporting entrepreneurial initiatives in small farms was launched for the first time in 2017. By the end of 2019, two calls were carried out, under which farmers from small farms submitted 18,919 applications. 8,218 small farmers benefited from this help. The value of funds allocation under this measure amounts to PLN 395 million, and the average value was PLN 48,000.

#### **4.2 Subsidizing Entrepreneurship in Rural Areas in Poland**

In Poland, 35% of the country's population lives in rural areas, they produce about a quarter of gross domestic product and more than half of total gross value added in agriculture, fisheries and forestry (OECD, 2018). These areas face challenges such as aging populations, low profitability, depopulation of villages, or incomplete use

of labor resources. Polish agriculture also faces specific challenges in terms of geographical location, with climate challenges, high labor costs and taxes, as well as with more complex legal provisions than in other EU Member States. Regions in Poland differ from each other in socio-economic and environmental resources, which together constitute their equipment and development potential, at the same time influencing the undertaking of economic initiatives. Each region is unique, so the effect of agricultural policy implemented in one area will not be the same as the result in another area, both in terms of direction and size of impact (Wieliczko and Kurdyś-Kujawska, 2018).

The analyzed regions were characterized by quite a large diversity in terms of the number of applications submitted for entrepreneurship support. In half of the voivodships, the number of applications submitted was equal to or greater than 8,563. Undertaking economic initiatives in rural areas in Poland is mainly concentrated in central and eastern regions of Poland. These are regions characterized on the one hand by a high percentage of people working in the agricultural sector, and on the other hand by a fragmented agrarian structure, a strong agricultural economy based on family farms and low production and economic efficiency of farms.

Hence, it is not surprising that in these regions the largest number of applications submitted for financing activities supporting the development of entrepreneurship in rural areas was noted. They constituted 40% of all submitted applications. A high number of applications was also recorded in regions of northern Poland (Kuyavian-Pomeranian voivodeship). In turn, in the north-west region of Poland (Lubuskie and Opolskie voivodships) the number of applications submitted was the lowest and constituted only 4.36% of all applications submitted (Figure 4). The demand of farmers to support specific activities varied regionally, which emphasizes the importance of using a regional approach to development. In the regions of northern Poland, which are characterized by a favorable agrarian structure, high agricultural mechanization and a high percentage of people gaining income only from agricultural activity, the applications for measures aimed at supporting generational exchange in the countryside prevailed. Generational changes in agriculture vary depending on the production potential held (Karwat-Woźniak, 2009). Long-term research of Institute of Agricultural and Food Economics - National Research Institute shows that these changes depend on the area structure of the farm, and entities with a relatively larger area are willingly undertaken by successors (Dudek, 2008).

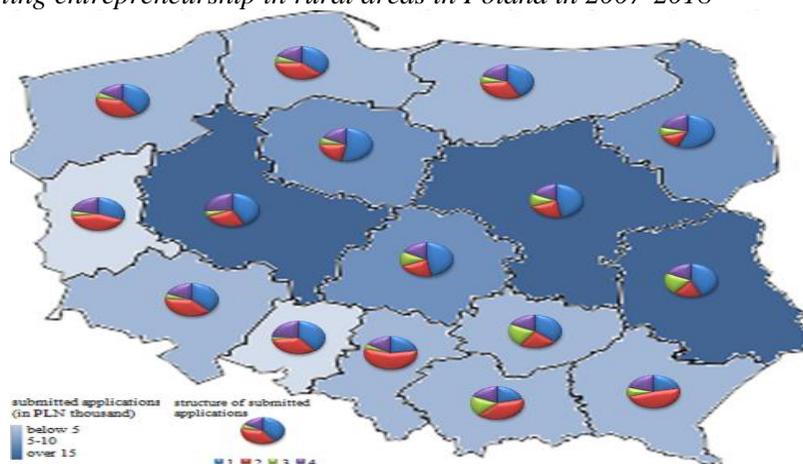
In the region of southern Poland, characterized by the highest population density and predominance of small farms, farmers applied for support for activities related to the development of micro-enterprises. The region of southern Poland stands out against the background of the country due to its large agrarian fragmentation. It is dominated by farms with a small area, i.e. up to 3 ha. Land fragmentation is a significant barrier to efficient farming, as is the small acreage that hinders farmers from conducting efficient technical activities (OECD, 2018). Bearing in mind the use of modern

technologies and production economics, and hence the economic situation of farms, it can be pointed out that these are regions of relative technological backwardness with poor and inefficient farms. Farmers from these regions are forced to seek additional sources of income from non-agricultural activities.

Also, a high percentage of submitted applications for supporting micro-entrepreneurship in rural areas was characteristic for northern Poland regions. These are regions in which the agrarian structure is better and conducive to agricultural production on a larger scale, and this favors the development of services for agriculture. The high percentage of applications for entrepreneurship development in these regions also results from their cultural values and the ability to offer broadly understood services to the population, especially tourism. In the regions of southern Poland there was also a relatively high share of applications submitted for measures supporting entrepreneurship for small farms in relation to other regions.

In the Świętokrzyskie, Małopolskie and Lubelskie voivodships, every fifth application concerned the granting of start-up aid to small farms. Reducing the number of small farms by diversifying the rural economy is a key measure that will allow better economic performance in rural areas (OECD, 2018). Considering the spatial distribution of the number of applications submitted for individual measures supporting entrepreneurship in rural areas, the largest percentage of applications submitted to finance diversification into non-agricultural activities was characteristic for the Central Poland (Wielkopolskie and Opolskie voivodships). These regions are characterized by favorable conditions for establishing business activity, resulting from the proximity to the urban agglomeration.

**Figure 4.** *The number and structure of applications submitted for activities supporting entrepreneurship in rural areas in Poland in 2007-2018*

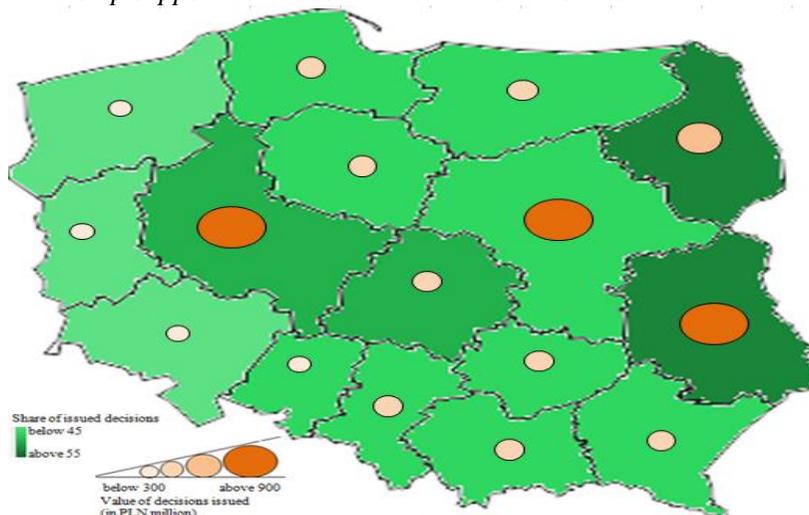


**Note:** 1- start-up aid for young farmers; 2 - development of entrepreneurship (development of agricultural services); 3 - start-up aid for the development of small farms; 4 - start of non-agricultural activities

**Source:** Own study based on ARMA data.

The allocation of funds to support individual entrepreneurship development activities in rural areas was also regionally balanced. It should be noted that the value of financial resources allocated to measures supporting entrepreneurship in rural areas was largely dependent on the number of decisions issued for their implementation. The highest share of payments made in relation to the number of applications submitted was recorded in the region of Eastern Poland (Podlasie (60.93%) and Lubelskie (55.61%)). In turn, the smallest percentage of payments made was recorded in the north-west region of Poland (Zachodniopomorskie (42.16%) and Lubuskie (43.21%)), and in the region of Southern Poland (Lesser Poland (44.53%), Podkarpackie (43.70%) and Dolnośląskie (43.36%)) (Figure 5). The most funds for supporting economic initiatives in rural areas were granted in the following voivodships: Wielkopolskie (PLN 1.37 billion), Mazowieckie (PLN 1.32 billion) and Lubelskie (PLN 994 million). The allocation of funds in these regions accounted for 43.87% of the value of all payments made. In most voivodships, the value of payments made fluctuated between PLN 300 and 600 million.

**Figure 5.** Share and value of payments made for the implementation of entrepreneurship support activities in rural areas in Poland in 2007-2018



**Source:** Own study based on ARMA data.

In the structure of payments made for measures supporting economic initiatives in rural areas, payments for the creation of micro-enterprises predominated (on average 40.91%) and for young farmers starting agricultural activity (on average 39.84%). Over 15% of payments were used to diversify activities towards non-agricultural activities, while on average 3.91% for small farms. The low percentage of payments to small farms is the result of launching the measure only in 2017. Payments to facilitate the start of young farmers, the largest share in the structure of payments made was recorded in the Kuyavian-Pomeranian (58.78%), Podlasie (55.49%) and Łódź (51.94%) voivodships, while the smallest in southern Poland.

These were the Małopolskie (21.04%), Podkarpackie (23.42%) and Śląskie (20.12%) voivodships. These are regions characterized by a high percentage of small farms and the inability to increase the area of the farm. In addition, these are also less-favored mountainous regions. Therefore, young people do not see any chance of conducting agricultural activity providing them with sufficient income. Farm succession in these regions will therefore be at risk. Farmers who run farms in these voivodships are much more often interested in self-employment and providing a variety of services than others.

This is confirmed by the results of studies carried out, according to which these voivodships recorded the highest share of payments for the development of micro-enterprises. It constituted from 58.68%, 58.73% and 66.33% respectively. The average value of the project did not exceed 200.000 PLN. and it was lower than the average for all voivodships. In the structure of payments for the development of entrepreneurship in rural areas, payments intended to support diversification into non-agricultural activities were mostly implemented in the north-west region of Poland (Opolskie (18.37%), Lubuskie (17.05%) and Greater Poland (23.11%)).

In the Wielkopolskie and Lubuskie voivodships, the average value of payments was the highest and amounted to PLN 94.33 and PLN 92.78, respectively. The lowest share of these payments was characteristic for beneficiaries from the Kuyavian-Pomeranian (12.25%), Małopolskie (12.67%), Śląskie (12.12%) and Pomeranian (11.95%) regions. The largest share of funds for assistance in starting operations by owners of small farms in the total value of payments made was recorded in Lubelskie (8.38%), Małopolskie (7.61%) and Świętokrzyskie (9.88%). In most voivodships, payments made for this purpose did not exceed 5%. In the Dolnośląskie, Lubuskie, Opolskie, Wielkopolskie and Śląskie voivodships the share of these payments did not exceed 2%. The lowest share of payments made for small farms was in the Opolskie voivodeship (0.67%).

## **5. Conclusion**

Rural development policy aims to improve and reverse many negative trends and difficulties faced by rural areas (Vasta *et al.*, 2019). An important tool of this policy are subsidies supporting, among others, economic initiatives in rural areas. The priority of the Polish government in 2007-2020 is to support entrepreneurship among the young generation of farmers and owners of small farms, as well as non-agricultural activities. Therefore, it seems that the government recognizes the urgent need to promote entrepreneurship in the countryside as a huge employment potential and an instrument for improving the well-being of the rural community.

Research shows that the demand for financial support for economic initiatives in rural areas is high. Nevertheless, only half of the applications submitted by farmers were financed. Which implies administrative barriers, a poor business forecast and difficulties in the procurement process (Dan Mihaela and Popescu, 2017). A large

diversity of demand for financial support for economic initiatives in rural areas can be observed, which was determined by the specific physical, social and economic characteristics of farms located in each territory. The most applications in the analyzed period were made by farmers from central and eastern voivodships. The highest amounts of support were also concentrated in these regions. Low interest in this type of support was characteristic for farmers from the north-west region of Poland.

The greatest interest among farmers concerned the program supporting the generational exchange of villages. Over 40% of applications submitted for measures supporting entrepreneurship in rural areas concerned bonuses for young farmers. In the analyzed period, over 3.88 billion zlotys went to young rural entrepreneurs, of which the most payments were made in Lubelskie, Mazowieckie and Wielkopolskie voivodships. In total, over 43% of all funds allocated to this measure went to these regions. High payment values were also recorded in the Kuyavian-Pomeranian and Podlasie voivodships. In total, these five voivodships accumulated over 62% of payments to young farmers. Every third application submitted by farmers concerned activities aimed at creating micro-enterprises in rural areas offering a wide range of agricultural and non-agricultural services. Applications for this purpose were characterized by the highest rejection rate (63.89%).

Despite this, the amount of payments made to create micro-enterprises accounted for over PLN 3.34 billion. The largest allocation of funds from this activity concentrated in the following voivodships: Lubelskie, Małopolskie, Mazowieckie, Podkarpackie, Śląskie and Wielkopolskie. Beneficiaries from these regions received over 57% of all payments made. Financing for diversification into non-agricultural activities covered, to the greatest extent, farmers and their family members from the Lubelskie, Podlasie, Wielkopolskie and Mazowieckie voivodships. Over 53% of all payments made were concentrated in these areas, including over 22% only in the Wielkopolskie voivodship. In turn, the largest support for small farms was in the Lubelskie, Mazowieckie and Świętokrzyskie voivodships as well as in the Łódź and Lesser Poland voivodships. In total, the payments made in these regions accounted for almost 70% of this measure.

To sum up, the research shows that the demand for support for economic initiatives in rural areas in Poland is high and the consumption of individual activities results from the spatial context. In regions with a fragmented agrarian structure and a lower level of socio-economic development of farms, mainly small farms and self-employment activities outside agriculture were implemented. In turn, in regions with a favorable agrarian structure and a higher level of socio-economic development of farms, payments for young farmers and the development of agricultural services dominated.

The effect of subsidizing entrepreneurship in rural areas is investment in fixed assets, improvement of farm infrastructure, restructuring in the production of food and non-

food agricultural products, increasing employment in rural areas and generational replacement in the countryside. It can therefore be concluded that the policy of subsidizing entrepreneurship in rural areas adopted in Poland is conducive to modernizing farms, promoting income growth in rural areas, increasing employment and generational change in the countryside.

## **References:**

- Abraham, M., Pingali, P. 2017. Transforming Smallholder Agriculture to Achieve the SDGs. In: *The Role of Small Farms in Food and Nutrition Security*, Riesgo, L., Gomez-Y-Paloma, S. and Louhichi, K. (Eds.), New York, Springer.
- Adamowicz, M., Szepeluk, A. 2016. Support to young farmers as part of agricultural policy of the European Union. *Problems of Agricultural Economics*, 3(348), 106-128.
- Ansari, B., Mirdamadi, S.M., Zand, A., Arfaee, M. 2013. Sustainable Entrepreneurship in Rural Areas. *Research Journal of Environmental and Earth Sciences*, 5(1), 26-31.
- ARMA. 2019. Available online: <https://www.arimr.gov.pl/>
- Babuchowska, K. 2009. Non-Agricultural Activity in the Rural Areas of Warmińsko-Mazurskie Province Subsidized By RDP 2007-2013. *Annals of The Polish Association of Agricultural and Agribusiness Economists*, 11(5).
- Barbieri, C., Mahoney, E. 2009. Why is diversification an attractive farm adjustment strategy? Insights from Texas farmers and ranchers. *Journal of Rural Studies*, 25(1), 58-66.
- Barbieri, C., Mahoney, E. 2009. Why is diversification an attractive farm adjustment strategy? Insights from Texas farmers and ranchers. *Journal of Rural Studies*, 25(1), 58-66.
- Bartoli, L., De Rosa, M. 2013. Family farm business and access to rural development policies: a demographic perspective. *Agricultural and Food Economics*, 1, 12.
- Baumgartner, D., Schulz, T., Seidl, I. 2013. Quantifying entrepreneurship and its impact on local economic performance: A spatial assessment in rural Switzerland. *Entrepreneurship and Regional Development: An International Journal*, 25(3-4), 222-250.
- Bencheva, N., Stoeva, T., Terziev, V., Tepavicharova, M., Arabska, E. 2017. The role of social entrepreneurship for rural development. *Agricultural Sciences*, 9(21), 89-98.
- Bogusz, M. 2018. Non-Agricultural Entrepreneurship in Selected UE Countries: A Case Study. *Intercathedra*, 35(2), 119-123.
- CEJA. 2017. European Council of Young Farmers, Young Farmers are Key in the Future CAP. Available online: <http://www.ceja.eu/wp-content/uploads/2017/05/Final-Young-Farmers-are-Key-in-the-Future-CAP-BW.pdf>
- Dan Mihaela, C., Popescu, C. 2017. Entrepreneurship in rural areas of Romania. The impact of the 2007-2013 EU funding programmes. *Proceedings of the International Conference on Business Excellence*, 11(1).
- De Rosa, M., Bartoli, L. 2016. Adoption of rural development policies in rural areas of Italy: Between family and farm strategy. *Agricultural Economic Review* 17(2), 70-81.
- De Rosa, M., McElwee, G. 2015. An empirical investigation of the role of rural development policies in stimulating rural entrepreneurship in the Lazio Region of Italy. *Society and Business Review*, 10(1), 4-22.
- Dias, C.S.L., Rodrigues, R.G., Ferreira, J.J. 2019. Agricultural entrepreneurship: Going back to the basic. *Journal of Rural Studies*, 70, 125-138.

- Driga, O., Lafuente, E., Vaillant, Y. 2009. Reasons for the relatively lower entrepreneurial activity levels of rural women in Spain. *Sociologia Ruralis*, 49(1), 70-96.
- Dudek, M. 2008. The role of the human factor in private farming on the example of retirees and young farmers' farms, Institute of Agricultural and Food Economics - National Research Institute, Warsaw.
- Endo, G.Y., Back, V.T., Hofer, E. 2018. Empreendedorismo rural: motivações para a diversificação de culturas na agricultura familiar do oeste de São Paulo. *Revista Livre de Sustentabilidade e Empreendedorismo*, 3(5), 5-21.
- EU Funding. 2019. [https://europa.eu/european-union/about-eu/funding-grants\\_es](https://europa.eu/european-union/about-eu/funding-grants_es).
- European Commission, DG Regional Policy 2009. Ex post evaluation of Cohesion policy programmes 2000-2006 co-financed by the European Fund for Regional Development (Objective 1 and 2), Work Package 9: Rural Development.
- Fan, B. 2015. Effect Evaluation and Improvement Measures of the Subsidy Policy of Financial Benefit. *Farmers Finance Research*, 4, 18-21.
- FAO. 1994. <http://www.fao.org/3/W6882e/w6882e02.htm#TopOfPage>
- Fitz-Koch, S., Nordqvist, M., Carter, S., Hunter, E. 2018. Entrepreneurship in the agricultural sector: a literature review and future research opportunities. *Entrepreneurship theory and Practice*, 42(1), 129-166.
- Goel, S., Jones, R.J. 2016. Entrepreneurial exploration and exploitation in family business: a systematic review and future directions. *Family Business Review*, 29(1), 94-120.
- Gulumser, A.A., Nijkamp, P., Baycan-Levent, T., Bronso, M. 2009. Embeddedness of Entrepreneurs in Rural Areas: A Comparative Rough Set Data Analysis. Tinbergen Institute Discussion Paper 2009-058/3.
- Gurbuz, I.B., Tipi, T. 2015. Small and Medium Enterprises: Threats for Sustainable Rural Development. *Proceedings ICABR 2015*, Mendel University in Brno, Zemedelsa, Czech Republic, 267-272.
- Hansson, H., Ferguson, R., Olofsson, C., Rantamaki-Lahtinen, L. 2013. Farmers' motives for diversifying their farm business - The influence of family. *Journal of Rural Studies*, 32, 240-250.
- Harpa, E., Moca, S., Rus, D.A. 2016. Comparative Study of Rural Entrepreneurship Romania-Greece. *Procedia Technology*, 22, 1100-1105.
- Havlíček, K., Thalassinou, I.E. and Berezkinova, L. 2013. Innovation Management and Controlling in SMEs. *European Research Studies Journal*, 16(4), 57-70, Special Issue on SMEs.
- Jayadatta, S. 2017. Major challenges and problems of rural entrepreneurship in India. *Journal of Business and Management*, 19(9), 35-44.
- Karwat-Woźniak, B. 2009. The area of cultivated land as a factor determining economic potential of private farms. *Economics and Sociology*, 2(1), 47-57.
- Kijek, A. 2019. The Effect of Public Procurement and its Spillovers on Innovativeness of Enterprises in European Countries. *European Research Studies Journal*, 22(1), 103-111.
- Kołoszko-Chomentowska, Z. 2010. Supplying the Development of Young Farmers' Farms with Public Funds. *Annals of The Polish Association of Agricultural and Agribusiness Economists*, 12(3), 204-208.
- Korsgaard, S., Ferguson, R., Gaddefors, J., 2015a. The best of both worlds: how rural entrepreneurs use placial embeddedness and strategic networks to create opportunities. *Entrepreneurship and Regional Development*, 27(9-10), 574-598.
- Korsgaard, S., Müller, S., Tanvig, H.W. 2011. Rural entrepreneurship: Between place and space. Paper presented at ICSB, Stockholm, Sweden.

- Korsgaard, S., Müller, S., Tanvig, H.W. 2015b. Rural entrepreneurship or entrepreneurship in the rural-between place and space. *International Journal of Entrepreneurial Behavior and Research*, 21(1), 5-26.
- Kumar, C. 2016. What are the different types of rural entrepreneurs?. Available online: <http://www.preservearticles.com/201101143351/what-are-the-different-types-of-ruralentrepreneurs.html>.
- Kurdyś-Kujawska, A. 2016. Significance of Production Diversification in Ensuring Financial Security of Farms in Poland. *Journal of Agribusiness and Rural Development*, 2(40), 355-366.
- Kurdyś-Kujawska, A., Zawadzka, D., Sompolska-Rzechuła, A. 2018. The Probability of Farm's Diversification - On The Example of Central Pomerania in Poland. *Bulgarian Journal of Agricultural Science*, 24(2), 171-179.
- McElwee, G. 2006. Farmers as entrepreneurs: developing competitive skills. *Journal of Developmental Entrepreneurship*, 11(3), 187-206.
- Ministry of Agriculture and Rural Development. 2019. Final report: Assessment of RDP implementation and impact for 2014-2020 in 2014-2018. Part III: employment, local development.
- Moreira, A.C., Martins, S.P.L. 2009. CRER: an integrated methodology for the incubation of business ideas in rural communities in Portugal. *Journal of Enterprising Communities: People and Places in the Global Economy*, 3(2), 176-192.
- Murawska, A. 2015. Factors Differing the Level of Unemployment in Rural Households in Poland. *Annals of The Polish Association of Agricultural and Agribusiness Economists*, 17(3), 284.
- Nagler, P., Naude, W. 2014. Non-farm enterprises in rural Africa: New empirical evidence. *World Bank Policy Research Working Paper*, 7066.
- Namiotko, V., Galnaitytė, A., Baležentis, T., Wang, P. 2019. The impact of investment support on labour productivity in Lithuanian family farms: A propensity score matching approach. *Economics and Sociology*, 12(1), 342-352.
- Nandanwar Kalpana, P. 2011. Role of Rural Entrepreneurship in Rural Development. *International Referred Research Journal*, 2(26).
- North, D., Smallbone, D. 2006. Developing entrepreneurship and enterprise in Europe's peripheral rural areas: some issues facing policy-makers. *European Planning Studies*, 14(1), 41-60.
- OECD. 2006. Reinventing Rural Policy. <https://www.oecd.org/regional/37556607.pdf>.
- OECD. 2018. *Rural Policy Reviews: Poland 2018*.
- Peng, H., Liu, Y. 2018. How government subsidies promote the growth of entrepreneurial companies in clean energy industry: An empirical study in China. *Journal of Cleaner Production*, 188, 508-520.
- Pilař, L., Pokorná, J., Balcarová, T., Hron, J. 2012. Factors determining the entry of agricultural farms into agritourism. *Agris on-Line Papers in Economics and Informatics*, 4(4), 59-65.
- Pingali, P., Aiyar, A., Abraham, M., Rahman, A. 2019. The Way Forward: Food Systems for Enabling Rural Prosperity and Nutrition Security, In: *Transforming Food Systems for a Rising India*. Palgrave Studies in Agricultural Economics and Food Policy. Palgrave Macmillan, Cham.
- Pradhan, K., Talukdar, P. 2014. Empowering the rural people through entrepreneurship development and management. *Journal of Crop and Weed*, 10(2), 135-140.

- Salehi Kakhki, M., Jahani, M., Ghanbarzadeh, H. 2019. Identification and prioritization of factors affecting the creation of rural entrepreneurship opportunities in Iran. *Journal of Research and Rural Planning*, 8(4), 69-90.
- Sathya, I. 2019. Rural entrepreneurship in India. *Research Explorer-A Blind Review and Refereed Quarterly International Journal*, 7(2).
- Saxena, S. 2012. Problems Faced By Rural Entrepreneurs and Remedies to Solve. *Journal of Business and Management*, 3(1), 23-29.
- Seuneke, P., Lans, T., Wiskerke, J.S. 2013. Moving beyond entrepreneurial skills: Key factors driving entrepreneurial learning in multifunctional agriculture. *Journal of Rural Studies*, 32, 208-219.
- Stauber, K. 2001. Why invest in rural America-and how? A critical public policy question for the 21<sup>st</sup> Century. *Economic Review, Second Quarter*, 33-63.
- Sternberg, R. 2012. Do EU regional policies favour regional entrepreneurship? Empirical evidence from Spain and Germany. *European Planning Studies*, 20(4), 583-608.
- Taghdisi, A., Hashemi, S., Hashemi, M.M. 2015. Analysis of factors affecting entrepreneurship development in rural areas. *Journal of Geography and Environmental Studies*, 4(14), 83-98.
- Thalassinos, I.E., Cristea, M., Noja, G.G. 2019. Measuring active ageing within the European Union: Implications on economic development. *Equilibrium, Quarterly Journal of Economics and Economic Policy*, Vol. 14, Issue 4, 591-609. DOI: 10.24136/eq.2019.028.
- Vale, G.M.V., Correa, V.S., Reis, R.F. 2014. Motivações para o empreendedorismo: necessidade versus oportunidade?. *Revista Administração Contemporânea*, 18(3), 311-327.
- Vasta, A., Figueiredo, E., Valente, S., Vihinen, H., Nieto-Romero, M. 2019. Place-Based Policies for Sustainability and Rural Development: The Case of a Portuguese Village “Spun” in Traditional Linen. *Social Sciences*, 8, 289.
- Vernet, A., Khayesi, J.N., George, V., George, G., Bahaj, A.S. 2019. How does energy matter? Rural electrification, entrepreneurship, and community development in Kenya. *Energy Policy*, 126, 88-98.
- Vesala, H.T., Vesala, K.M. 2010. Entrepreneurs and producers: identities of Finnish farmers in 2001 and 2006. *Journal of Rural Studies*, 26(1), 21-30.
- Vik, J., Mcelwee, G. 2011. Diversification and the entrepreneurial motivations of farmers in Norway. *Journal of Small Business Management*, 49(3), 390-410.
- Wieliczko, B., Kurdyś-Kujawska, A. 2018. Mechanisms and impulses influencing development of agriculture and rural areas (4), *Monographs of Multi-annual Programme 2015-2019, Institute of Agricultural and Food Economics - National Research Institute, Warsaw*.
- Wosiek, M., Czudec, A. 2019. The relationship between the entrepreneurship and the local environment: evidence from Poland. *European Research Studies Journal*, 22(4), 262-289.
- Zhang, Q. 2010. The Influence of Agricultural Subsidy Policy on Farmer Income and Countermeasure-Take Hu Nan For Example. *Value Engineering*, 29, 120-122.
- Zhao, M., Li, W., Li, S. 2010. The Thought and Countermeasure of Perfecting Agricultural Subsidy Policy-Take Shan Dong Province as an Example. *Dongyue Review*, 31, 48-52.
- Zhu, H., Chen, Y., Chen, K. 2019. Vitalizing Rural Communities: China’s Rural Entrepreneurial Activities from Perspective of Mixed Embeddedness. *Sustainability*, 11, 1609.