
Alternative Income Sources – Entrepreneurship Development or Households' Economic Needs after the COVID-19 Crisis?

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Abstract:

Purpose: The purpose of this paper is to identify and analyze the COVID-19 pandemic implications for alternative income sources in transition economy with the dispute based on literature and research.

Design/Methodology/Approach: The following research methods were used. Desk extensive research and analysis of raw data collected for the study. An original in-depth interview form was developed, and scientific dispute based on subject literature was conducted. A research hypothesis, aimed at verifying the research problem, were formulated.

Findings: The study highlights that, aside from passion, the main reason for undertaking additional economic activity is to obtain additional income.

Practical Implications: The research expands the knowledge on COVID-19 economic implication such as finding of additional income in transition economies. An the obvious objective of each economic activity is income maximization, this is why the paper can be used as a compendium for potential additional income increasing implementation in practice.

Originality/Value: The paper may start the discussion on alternative income sources which, especially in the current time of recession of domestic and global economies, will constitute an increasing percentage of households' income. This will be the growing need of many households. The paper may be the basis for research extension, especially in a comparative basis.

Keywords: Income, new economic reality, income diversification, entrepreneurship, transition economies, COVID-19, crisis.

JEL codes: E01, E26, H24.

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1. Introduction

Domestic economies and global trade were subject to a lockdown attempt. Many enterprises recorded income losses and some sectors, especially tourism or entertainment were deprived of it completely. The result of the crisis caused by the COVID-19 pandemic was increased unemployment and a transition to remote reality. These cause the need to seek alternative forms of employment and earning money. The literature points out the importance of entrepreneurship as a key element of competitiveness and economic growth (Leschke *et al.*, 2012; Zheng and Walsh, 2019; Colapinto, 2020). However, entrepreneurship is not only an activity performed in an enterprise but is also a trait that allows providing and developing different forms of business activity. In that meaning, an alternative for a typical business activity (production, services, trade) may be plant cultivation or animal husbandry – outside of an agricultural undertaking.

Activities such as plant cultivation or animal husbandry seems to be a known choice for households due to the small capital needs linked to the possibility of engaging family members. Furthermore, activity defined as a special agricultural production section does not require possessing or purchasing an agricultural real property. Depending about cultivation or husbandry, residential or land property can be completely sufficient for a small-scale activity. There is however the question of what the real additional income value is. This applies to both declaratory and settlement obligations. The answers to the question were sought by making a data analysis of an activity encompassing purebred dogs' husbandry.

There was chosen the example of home purebred dogs' husbandry in Poland to analyze the implications for alternative income sources, as the representative transition economy entrepreneurship form. The following research methods were used for this purpose: desk research and analysis of raw data collected for the study. An original in-depth interview form was developed, and scientific dispute based on subject literature was conducted.

As the novelty, the discussion on alternative income sources which, especially in the current time of recession of domestic and global economies, will constitute an increasing percentage of households' income. This will be the growing need of the large number of households, especially in transition economies yielded rich data for further research.

2. Literature Review

Literature has circumscribed the debate around organizing alternatives to business. There are at least three ways to conceptualize the notion of alternative organizational forms (Elinger *et al.*, 2011). The first group of studies which we have identified points at differences in understanding of the types of alternative organizational forms and their businesses as well (Cruz *et al.*, 2017, Jasińska-Biliczak *et al.*, 2017). In this

discussion, any legal structure which does not follow the standard, is seen as the alternative. There have been identified that there were included such structures as cooperatives, NGOs, associations, social enterprises also defined as the third sector (Jaumier, 2017; Jasińska-Biliczak, 2019). Much more restrictive point of view is presented by conceptualization the alternatives as something that is different and in contrast to the dominant economic system (Smith *et al.*, 2013; Pulido *et al.*, 2020). A second area of studies was focused at the processes of creation and development of alternative organizational models (Osterwalder, 2016; Nicolopoulou *et al.*, 2017). Defining next, the third area, have been focused on the objectives and results of alternative organizational forms (Stephan *et al.*, 2016, Paraque and Willmott, 2014; Hall *et al.*, 2020).

The general role in understanding of the alternatives for business activity may be seen – as the spreading the different models and legal structures over the world, portraying diverse labels (Dacin *et al.*, 2011) and dimensions (Jasińska-Biliczak *et al.*, 2016) of entrepreneurship, inclusive business (Halme *et al.*, 2012) and innovation (George *et al.*, 2012; Kowal *et al.*, 2017), social business (Yunus *et al.*, 2010) or any other hybrid organization (Battilana and Dorado, 2010). There is also possible to identify other forms of business alternatives, such as cooperatives, known for a long time, but they, generally, have got a little interest from the business (Charterina *et al.*, 2007).

The article is also the answer, as the “infodemics” phenomenon (Leitner *et al.*, 2021), for the current need of developing research at the COVID-19 results and effects in different disciplines and areas (Goodell, 2020).

3. Research Methodology

A series of research methods was used to achieve the research purpose of analysing the implications for alternative income sources based on the example of purebred dogs' husbandry in the Polish legal and economic system.

The first step was the desk research method, analysis of literature and the current legal acts. Thus, the research hypotheses guiding this study, taking into account that the COVID-19 pandemic caused multi-dimensional crisis: economic, social, behavioural and the income is not given, it became convinced in real that it will evaluate, are as follows:

Hypothesis 1. The economic households situation causes the search for additional income,

Hypothesis 2. There will be chosen the additional income sources what will be the new, permanent trend for households economy.

The next step is the development of an original in-depth interview form along with a data query. The raw data collected this way underwent development and analysis, followed by a scientific discussion. The applied methodological approach allowed for obtaining complete and objective data as well as verifying the research hypotheses.

4. Results

According to the regulations of the Polish law, purebred dogs' husbandries are classified as income on special agricultural production section. The name can be misleading because purebred dogs' husbandry in practice usually takes place outside an agricultural undertaking. Regardless of the name-related misunderstandings, income on such activity is subject to income taxation. Depending on the breeder's organisation form, the *Personal Income Tax* or *Corporate Income Tax* applies. Practice confirms that this type of activity is conducted mainly by persons, while other entities are dealing in husbandry in rare cases. For example, there are cases that a hunters' club (usually organised as an association) conducts hunting dogs' breeding for its own members' needs.

The study covered representative for that entrepreneurship form medium-sized husbandry led as part of a family-owned enterprise. It also regards both observed pandemia's effects: the need of income diversification and the growing need of pet possessing as well.

The activity is conducted by several family members who are looking after the animals together. The family nature of the enterprise is strengthened by the fact that the animals move freely on the real property on which the breeders' family house is situated. The animals pens are located in lodgings connected to the family members' residential areas, thereby ensuring constant contact between people and the animals. The husbandry's commencement did not require purchasing a real property, because the premises – located on city outskirts – are owned by the family for several years.

The animal husbandry was established in 2015, when two French Bulldog females and one male were brought in by the family. In the following years, the husbandry was expanded by a Chihuahua females (2016) as well as pups kept for further husbandry (2017, 2018). At the end of 2019, the stock included 11 animals of both breeds. For comparative purposes, the account includes the income and costs estimated by the animal breeder, wherein the upkeep cost per animal, according to the estimation, remained the same in the studied years, including PLN 200 per month for the French Bulldog and PLN 150 per month for the Chihuahua. According to the breeder's declaration, the upkeep costs include expenses on food, treatment, veterinary care, fees for participation in Kennel exhibitions and other. The following data presents the development of the entrepreneurial activity having at its aim household's income diversification.

Table 1. Breakdown revenue, costs and taxable income in 2015 (in PLN).

2015		Revenues			Costs		Taxable Income	
Breed	No. of representatives (pcs)	source	sale	puppies for own breed	buying	breeding	registered business activity	or special agricultural production section
French bulldog	female adult	2			2700	4800	-7500	-7500
					2700	4800	-7500	-7500

Source: Developed by the author.

In the first year, two French Bulldog females were registered as breeding animals, but the husbandry did not generate any revenue.

Table 2. Breakdown revenue, costs and taxable income in 2016 (in PLN).

2016		Revenues			Costs		Taxable Income	
Breed	No. of representatives	source	sale	puppies for own breed	buying	breeding	registered business activity	or special agricultural production section
French bulldog	male adult	1	reproduction	5 000		2 400	2 600	2 600
	female adult	2				4 800	-4 800	-4 800
Chihuahua	female adult	2			3 000	2 400	-5 400	-5 400
				5 000	3 000	9 600	-7 600	-7 600

Source: Developed by the author.

A French Bulldog male was additionally registered as a breeding animal in the second year. The first revenue on breeding was achieved, but they were not yet sufficient to cover the costs incurred.

Table 3. Breakdown revenue, costs and taxable income in 2017 (in PLN).

2017		Revenues			Costs		Taxable Income	
Breed	No. of representatives (pcs)	source	sale	puppies for own breed	buying	breeding	registered business activity	or special agricultural production section
French bulldog	male adult	1	Reproduction	10 000		2 400	7 600	7 600
	female adult	2				4 800	-4 800	-4 800
	male puppie	1	for own breed		2 100		250	-250
	female puppie	1	for own breed		2 100		250	-250

	puppies sold	9	sold 2100PL N/pcs	18 900			500	18 400	18 400
Chihuahua	female adult	2				3 000	2 400	-5 400	-5 400
				28 900	4 200	3 000	10 600	15 300	19 500

Source: Developed by the author.

In the third year, revenue on breeding and pup sales was achieved and the husbandry was expanded with two French bulldog pups from own husbandry and two Chihuahua pups purchased. The husbandry turned the first profits.

Table 4. Breakdown revenue, costs and taxable income in 2018 (in PLN).

2018		Revenues			Costs		Taxable Income		
Breed	No. of representatives (pcs)	source	sale	puppie for own breed	buying	breeding	registered business activity	or special agricultural production section	
French bulldog	male adult	2	Reproduction	10 000		4 800	5 200	5 200	
	female adult	3				7 200	-7 200	-7 200	
	female puppie	1	for own breed		2 100	1 800	-1 800	300	
	puppies sold	7	sale 2100PL N/pcs	14 700		700	14 000	14 000	
	puppies sold	2	sale 1900PL N/pcs	3 800		300	3 500	3 500	
Chihuahua	female adult	2				3 600	-3 600	-3 600	
	female adult	3			4 500		-4 500	-4 500	
	puppies sold	8	sale 1800PL N/pcs	14 400			14 400	14 400	
				42 900	2 100	4 500	18 400	20 000	22 100

Source: Developed by the author.

In the fourth year, further revenue on breeding and pup sales were achieved and the husbandry was further expanded with one French bulldog pup from own husbandry and three Chihuahua females. Despite the increased costs, the financial result has improved.

In the fifth year, the revenue on breeding and pup sales increased sufficiently to maintain the financial result's upward trend. The income demonstrated by the breeder depending on the chosen legal taxation method (as the taxation system by itself is not the scope of the presented research).

Table 5. Breakdown revenue, costs and taxable income in 2019 (in PLN).

2019		Revenues			Costs		Taxable Income		
Breed	No. of representatives (pcs)	source	sale	puppie for own breed	buying	breeding	registered business activity	or special agricultural production section	
French bulldog	male adult	2	Reproduction	15 000			4 800	10 200	10 200
	female adult	4					9 600	-9 600	-9 600
	puppies sold	27	sale 1800PLN/pcs	48 600			1 000	47 600	47 600
Chihuahua	female adult	5					9 000	-9 000	-9 000
	puppies sold	1	sale 1900PLN/pcs	1 900			100	1 800	1 800
	puppies sold	3	sale 1800PLN/pcs	5 400			400	5 000	5 000
	puppies sold	1	sale 2100PLN/pcs	2 100			200	1 900	1 900
	puppies sold	2	sale 1600PLN/pcs	3 200			300	2 900	2 900
			76 200			25 400	50 800	50 800	

Source: Developed by the author.

Table 6. Income tax amount based on the example of a purebred dogs' husbandry – comparison depending on the chosen taxation method.

Year	registered business activity				special agricultural production section					
	Taxable income (PLN)	TAX 1 (by tax scale)		TAX 2 (by flat rate 19%)		Taxable income (PLN)	TAX 3 (by tax scale)		Estimated taxable income (PLN)	TAX 4 (by tax scale)
		PLN	EUR	PLN	EUR		PLN	EUR		
2015	0	0	0	0			0	0	96	0
2016	0	0	0	0			0	0	226	0
2017	7 750	372	89	1 473	353	1 826	1 595	382	220	0
2018	12 450	1 588	369	2 366	550	2 916	2 063	480	344	0
2019	50 800	8 469	1 988	9 652	2 266	50 800	8 469	1 988	512	0

Source: Developed by the author.

When comparing the results on the income tax amount, it is apparent that the Polish legislator deemed an activity conducted as a special agricultural production section as an activity that deserves a systemic support. The mechanism built into the tax act allows for choosing the taxation method and minimising the income tax to zero

(fourth method) or maintaining it at a negligent level. However, this conclusion is only legitimate when the estimation standards are determined at low values. Otherwise, the evaluation resulting in the selected method could have been different. However, regardless of the differences deriving from animal husbandry specificity and the assigned estimation standards, the fact that it is possible to choose the taxation method is the legislator's support for this form of activity. Presented research shows that presented kind of income diversification may bring its considerable increase and may be the alternative and/or support for the basic income.

5. Discussion

Recent literature shows that income diversification is an important strategy which refers to the increase in income sources or the balance share among the different sources (Wan *et al.*, 2016). There are many benefits to having alternative income sources such as income diversification (Chaudhary, 2020), more financial options, accelerate debt repayment, save more money or work toward financial goals quickly.

Income diversification is defined as the process by which households construct increasingly diverse livelihood portfolios, making use of increasingly diverse combinations of resources and assets in order to meet their basic needs, improve their living standards or welfare (Niehof, 2004; Kwon, 2019). It may be also associated with success in achieving livelihood security under improving economic conditions (Ellis, 1998; Watete *et al.*, 2016). According D murger *et al.* (2010) building income diversification is the most important strategy for households to bring more kinds of incomes sources by expanding their economic activities.

Literature has circumscribed the debate around organizing alternatives to business. There are at least three ways to conceptualize the notion of alternative organizational forms (Elinger *et al.*, 2011).

The first group of studies which we have identified points at differences in understanding of the types of alternative organizational forms and their businesses as well (Cruz *et al.*, 2017; Jasińska-Biliczak *et al.*, 2017). In this discussion, any legal structure which does not follow the standard, is seen as the alternative. There have been identified that there were included such structures as cooperatives, NGOs, associations, social enterprises also defined as the third sector (Jasińska-Biliczak, 2019). Much more restrictive point of view is presented by conceptualization the alternatives as something that is different and in contrast to the dominant economic system (Smith *et al.*, 2013; Donthu and Gustafsson, 2020).

The second area of presented research was focused at the processes of creation and development of alternative organizational models (Osterwalder, 2016; Nicolopoulou *et al.*, 2017). There was presented the focus on the objectives and results of

alternative organizational forms (Stephan *et al.*, 2016; Paranque and Willmott, 2014; Jaumier, 2017) defining next, the third area.

That is why the research, fulfilling the gap in the literature, points the quasi business activity led by natural persons, which exactly is not the business activity by itself (according binding legal rules). Moreover, this kind of activity brings income, which may be compared, in its value, to the income from legally led business activity in its full dimension.

6. Conclusions

The conducted study not only allowed for confirming the hypothesis, but also demonstrated that, aside from passion, one of the main reasons for undertaking purebred dogs' husbandry is to obtain additional income. An obvious objective of each enterprise is income maximisation, which is why the paper can be used as a compendium for purebred dogs' breeders.

On the other hand, the paper may be a start for the discussion on alternative income sources which especially in the current time of recession of domestic economies and the global economy may and will constitute an increasing percentage of income earning by natural persons.

The limitations of this research include the sample size, the type of participant examined. It is planned, after standing pandemia still to examine additional participants and develop the increasing additional income research. Especially other transition economies (Slovakia, Czech Republic) may provide additional data for comparisons.

Despite these limitations, the author hopes that other researchers will use presented results as an inspiration for their own studies. For this reason, the paper may also be the basis for the continuation and extension of studies, including comparative ones.

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