FACTORS DIFFERENTIATING DEVELOPMENT OF ECONOMIC SUBJECTS IN RURAL AREAS

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Abstract

In the article attention is focused on a local approach to rural development. The Author presented socio-economic conditions of this development and administrative-social barriers to it. Particular attention was paid to agriculture in rural areas and their multifunctional development.

Keywords: entrepreneurship, local development, regions, self-governance

Introduction

At the time of progressing territorialization, innovativeness understood as an ability for creating, implementing and disseminating innovations is the crucial condition for improving competitiveness of regional economy and achieving success in the competition among regions.

One of the main roles in this respect is ascribed to local authorities, particularly to self-governments. The effectiveness of utilization of financial means for local development as well as the efficiency of non-financial support for entrepreneurship in rural areas depend on their knowledge and skills.

The shape and rate of local development are increasingly more determined by the quantitative rather than qualitative criteria concerning the “climate” for business development and human potential, i.e. non material values constituting human capital, where knowledge, expertise and skills, as well as an attitude towards useful novelties play the essential role.

Representatives of self-government play a key role in socio-economic development of local and regional communities. Their attitudes, openness to changes, they way in which they perceive and assess the reality and professionalism affect the efficiency of activities they initiate in the environment.

Apart from the factors mentioned above, development of economic subjects in rural areas is determined by:

- the level of social awareness,
- natural and economic conditions of development
- central and local handicaps to development.

Literary overview

In the literature of the subject it has been stated that communes have at their disposal a wide set of instruments, mainly financial and non-financial ones, stimulating development of entrepreneurship [Wołowiec 2005].

Financial instruments comprise:
- budgetary (income) policy,
sources of finance from external funds (including EU funds),
investment outlays.
Non-financial instruments are:
- supporting innovativeness,
- organization of business incubators, industrial and technology parks,
- providing counselling for potential businessmen.
It is a common knowledge that development of local entrepreneurship directly favours economic competitiveness and is a natural way to use local resources and realization of local needs.
Economic subject development in rural areas may be stimulated using:
a) economic activities, such as:
- creating new jobs,
- increasing incomes, taxes,
- implementing new technologies,
- investment in fulfilling local needs,
b) social activities
- a change of local community mentality,
- support and inspiration of creative ventures and citizen activeness.
Research has demonstrated [Tuziak 2005] that dynamic development of economic subjects in rural areas occurred in places where stimulators of development available to the communes were fully utilised and where self-governments actively supported entrepreneurship. However, local development comes up against some administrative, economic and technical barriers [Tuziak 2005].
The limitations concern most frequently:
- lack of terrains for investments,
- insufficient funds for technical infrastructure,
- variability of legal regulations (laws),
- long period of time used for preparation of spatial management plans, particularly conversion of arable lands to industrial sites,
- lack of proper professional skills of local administrative officers preparing applications for EU funding.
Agricultural economy is a special problem of rural areas development. Experiences of highly developed countries (EU member states) show that modernization of agricultural sector according to the rules of the modern market requires partnerships and active cooperation between rural dwellers and public administration on the local level but also with government and social institutions in the region [Chylek 2005]. The factors diversifying the development of agricultural holdings in the regional aspect are:
- environmental conditions of farming,
- state policy for agriculture and efficiency of the instruments of state interventionism,
- unused labour potential (high generational unemployment),
- openness to innovations;
- lack of capital;
- profitability disparities between small farms and large-area commodity farms.
It has been assumed that in the near perspective the development of agricultural holdings will be maintained through the following activities [Brodziński 2003]:
- supporting pro-export model of exports,
- specialization of farms of all sectors with the view of using chances for being competitive on the market.
Another difficult but necessary activity involves gradual modernization of the agrarian structure but also supporting the concept of sustainable agriculture using particularly areas with low pollution of the natural environment. However, a problem arises, to what extent and which tools should be used to support agricultural holdings in the poverty threatened areas. A chance for rural areas development is provided by a change of the concept of social and economic influence on these areas. In rural development too much focus only on farmers and agricultural holdings is purposeless, since rural multifunctional development should be the centre of attention [Kłodziński 2005]. However, it is obvious that diversification of agricultural economy in Poland will not happen too fast, since not all communes have been successful in acquiring investors, modernize their technical and social infrastructure, or create new jobs outside agriculture. Therefore the major problem of rural areas development has been rural unemployment, moreover the state of Polish economy shows that rapid decrease in the unemployment is impossible.

**Material and methods**

The general aim of the article is determining the factors diversifying rural areas development. The specific aims are:
- presentation of instruments of local development support,
- determining the handicaps to the development of rural areas and economic subjects operating in these areas.

The publication provided a synthesis concerning the problems of rural development based on literature of the subject.

**Results**

In order to efficiently influence the development of regions and economic subjects in rural areas it is necessary to estimate the regional socio-economic diversifications in the macro and micro scale. Investigations [Koreleski 2005] show the poorest level of urbanization in the regions of eastern Poland, the highest in the Silesia region, in wrocławskie province and in the Malopolska region. Zero unitarization method was used to investigate (beside the feature mentioned above) also the determinants of entrepreneurship and the region attractiveness for potential investors. Especially advantageous situation in this respect is in the mazowieckie province (in the vicinity of Warsaw) and in the dolnośląskie province, whereas the greatest delays are observed in the lubelskie province and the podkarpackie province (eastern part of Poland).

While evaluating the outcomes of transition to market economy period the above mentioned author states that the most important determinants of life quality (unemployment rate or the level of wages and salaries) were registered in the mazowieckie and śląskie provinces and in the Wielkopolska region.

The outcome limiting the development of agriculture is the farm area structure, which however has been gradually changing for the better.

**Table 1 Changes in farm area**

<table>
<thead>
<tr>
<th>Specification</th>
<th>1996</th>
<th>2002</th>
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<tbody>
<tr>
<td>Mean farm area [ha]</td>
<td>6.25</td>
<td>8.33</td>
</tr>
<tr>
<td>Number of farms over 1 ha</td>
<td>2.04</td>
<td>1.951.000</td>
</tr>
<tr>
<td>Farms with area smaller than 10 ha</td>
<td>1.750.000</td>
<td>1.571.000</td>
</tr>
</tbody>
</table>

*Source: agricultural census 1996, 2002*
It has been estimated that farms with area larger than 10 ha will be the main food producers. Economic condition of private agricultural farms in Poland in 1998-2005 reveals considerable spatial diversification. Farms with good financial condition have been registered in the Wielkopolska and Silesia regions. Economic power of farms has been the weakest in region of Malopolska and Podkarpacie, i.e. in the regions with considerably dispersed farm area. Small area farms have hardly any chance to reach annual income comparable to the income on the level of minimal wages in Poland.

In order to generate income from farming equal to minimum wage, a farm should have the adequate scale of production. It was presented in Table 2.

**Table 2. Scale of production of selected activities per fully employed person necessary to reach income parity**

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<tr>
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<tr>
<td>Dairy cows (heads)</td>
<td>3.2</td>
<td>8.2</td>
<td>8.5</td>
</tr>
<tr>
<td>Hogs (heads)</td>
<td>22.9</td>
<td>56.3</td>
<td>159.6</td>
</tr>
<tr>
<td>Barley (ha)</td>
<td>5.3</td>
<td>23.0</td>
<td>36.7</td>
</tr>
</tbody>
</table>

*Source: L. Goraj (2005)*

Under conditions of market economy a problem of diversification of rural dwellers’ incomes appears in rural areas; these specifically concern great disproportions in the incomes of farm households. According to CBOS studies, a part of agricultural holdings express a feeling of their financial disability calling it a subjective poverty. This tendency is permanent, whereas a much worse income situation of rural communities, including farmers, observed for many years was reflected by the fact that although about 38% of Poles live in the country, in comparison with city dwellers or non-farmer community, they constitute over 60% of persons with low incomes [Leszczyńska 2005].

**Conclusion**

The considerations concerning rural areas development allow to draw the following conclusions:
- local self-governments do not fully utilize instruments stimulating the development of economic subjects in rural areas,
- the efficiency of acquiring assistance funds is among others determined by the professional skills of local administration,
- emphasized was lack of sufficient means for marketing (promotion) of communes as a financially rewarding region for foreign investors,
- the analysis of conditions for innovation in the management of local development shows that it should be based on some definite strategy proposed by the government and self-government,
- the overall aim for rural areas is their sustainable development through efficient realization of modernization process in the areas of employment, profitability and structural transformations.
References


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