



DEVELOPMENT OF MICRO-ENTERPRISES IN RURAL AREAS OF THE WARMIŃSKO-MAZURSKIE VOIVODSHIP

Zbigniew Brodziński

Faculty of Economic Sciences
University of Warmia and Mazury in Olsztyn
ORCID: <https://orcid.org/0000-0001-9144-5109>
e-mail: zbr@uwm.edu.pl

Emilia Bojkowska

Faculty of Economic Sciences
University of Warmia and Mazury in Olsztyn
e-mail: emilia.bojkowska@uwm.edu.pl

Sebastian Janek

Faculty of Economic Sciences
University of Warmia and Mazury in Olsztyn
e-mail: sebastian.janek@uwm.edu.pl

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Abstract

This study identified changes in the number and growth rates of micro-enterprises in the rural areas of individual districts in the Warmińsko-Mazurskie Voivodship in the years 2010-2017. An analysis of secondary GUS data was conducted as part of the study. The Warmińsko-Mazurskie Voivodship data was compared to the nation-wide data. The micro-entrepreneurship index and absolute increases were used in the study, which revealed an increase in the number of micro-enterprises over the period under analysis in all districts of the Warmińsko-Mazurskie Voivodship. However, the non-agricultural micro-entrepreneurship index in the region was lower in all of the years under study than the average in Poland. No increased concentration of micro-enterprises was found in the districts neighbouring the largest cities in the voivodship, except in the district of Olsztyn, where the largest absolute increase in the micro-entrepreneurship index was noted in the successive years covered by the analysis.

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**ROZWÓJ MIKROPRZEDSIĘBIORSTW
NA OBSZARACH WIEJSKICH NA PRZYKŁADZIE WOJEWÓDZTWA
WARMIŃSKO-MAZURSKIEGO**

Zbigniew Brodziński

Emilia Bojkowska

Sebastian Janek

Wydział Nauk Ekonomicznych
Uniwersytet Warmińsko-Mazurski w Olsztynie

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A b s t r a k t

Celem badań była identyfikacja zmian w liczbie oraz dynamice przyrostu mikroprzedsiębiorstw na obszarach wiejskich w poszczególnych powiatach województwa warmińsko-mazurskiego, w latach 2010-2017. W ramach prowadzonych badań przeanalizowano dane wtórne GUS. Zastawione dane z województwa warmińsko-mazurskiego odniesiono do danych dla kraju. W badaniach wykorzystano wskaźnik mikroprzedsiębiorczości oraz przyrosty absolutne. Badania wykazały, że w analizowanym okresie wzrosła liczba mikroprzedsiębiorstw na obszarach wiejskich we wszystkich powiatach województwa warmińsko-mazurskiego. Poziom wskaźnika mikroprzedsiębiorczości pozarolniczej w regionie we wszystkich analizowanych latach był jednak niższy niż średnio w Polsce. Nie stwierdzono wyższego poziomu koncentracji mikroprzedsiębiorstw w powiatach sąsiadujących z największymi miastami województwa, z wyjątkiem powiatu olsztyńskiego, gdzie odnotowano największe przyrosty absolutne wskaźnika mikroprzedsiębiorczości w kolejnych objętych analizą latach.

Introduction

The political and economic system transformations that have taken place in Poland since 1989 have had a great impact on the lives and economic status of rural populations. Rural areas were not prepared for the system transformation. Their residents were poorly educated and not mobile, either in a professional or a spatial sense (Ostrowski, 1999, p. 1-31).

This was caused by the attitudes of the rural population, who had been brought up in an economy of deficit and who were convinced that the market would absorb all the food that they would produce. People were generally convinced that social packages and state care would guarantee that every family would be able to earn a living by producing food on their own farm, without needing to take up any activities outside of agriculture (Ostrowski, 1999; *Wiejskie obszary kulminacji...*, 2002; *Społeczno-ekonomiczne aspekty...*, 2007; Brodziński *et al.*, 2017). Moreover, an increase in the productivity in agriculture was accompanied by a change in the employment structure among the rural population, i.e.

a decrease in the percentage of people working in and earning their living mainly from agriculture (Krzyżanowska, 2009, p. 1-164). Until then, agriculture had been the pillar of the functioning of every village. However, year after year, it shifted towards non-agricultural, consumer or production activities (Brodziński & Borawska, 2012, p. 17-28), which was in line with the concept of multi-functional rural development.

Despite the progressive changes and support for entrepreneurship development in rural areas provided from EU funds, the degree of entrepreneurship development measured, *inter alia* by the entrepreneurship index, was twice as low in rural areas compared to urban areas in 2009 (63 in rural areas, 121 in towns) (Zuzek & Mickiewicz, 2013, p. 41-52). The economic downturn felt particularly in 2008-2009, took place after the economic crisis, which also affected Poland. Although the largest problems were felt by the regions producing for export, the effects of the crisis were visible all over the country (Nazarczuk, 2013, p. 75-89).

Therefore, a question arises, how micro-entrepreneurship changed in rural areas during the period of recovering from the crisis. The study covered the rural areas of the Warmińsko-Mazurskie Voivodship and the period between 2010 and 2017.

According to Nazarczuk (2013, p. 75-89), the crisis was felt the least strongly in rural-urban areas, which was caused by the diversity of their economy. Bański (2015, p. 56-69) points out that cooperation and rivalry have a beneficial effect on the level of competition between companies. Business entities which operate at some distance from major markets and extensive technical infrastructure are not very competitive in general, and the prospects are not too good for them when it comes to stable development. This determines a smaller number of microenterprises which operate in rural areas, located at greater distances from towns.

Considering the assumptions presented by this author, two hypotheses were put forward. According to the first of them, the micro-entrepreneurship index is higher in country districts neighbouring the largest cities in the region. According to the other hypothesis, the absolute growth of the micro-entrepreneurship index in time is determined by the location of rural areas and its growth rate is higher in rural areas neighbouring large cities.

The largest cities in the voivodship in terms of the population size include Olsztyn (172,993 residents), Elbląg (121,191), Ełk (61,074), Ostróda (33,248), Iława (33,108), and Giżycko (29,642)¹.

This study aimed at identifying changes in the number and growth rate with respect to micro-enterprises in the rural areas of individual districts in the Warmińsko-Mazurskie Voivodship in the years 2010-2017.

¹ on 31.12. 2017

Study methodology

A descriptive method was applied in the study, with data from Statistics Poland being the source material (Local Data Bank, 2019). The micro-entrepreneurship index was used, which includes the sum of all business entities registered in the REGON system as micro-enterprises in the country districts of the Warmińsko-Mazurskie Voivodship. The 2010-2017 statistical data were analysed vertically and horizontally using intensity and structure indices. The following were calculated:

- the micro-entrepreneurship index, i.e. intensity, expressed as the number of microenterprises per 10 thousand residents in the Warmińsko-Mazurskie Voivodship and in the country,
- the relative increase in the number of microenterprises in the Warmińsko-Mazurskie Voivodship,
- a relative increase in the number of microenterprises in individual districts in the Warmińsko-Mazurskie Voivodship in the years 2010-2017.

Micro-entrepreneurship and its importance in stimulating rural development

According to the Freedom of Business Activity Act, a micro-entrepreneur is an entrepreneur who achieved an annual turnover on the sale of goods and services, products and from financial operations of under 2 million euros in one of the previous financial years or the total assets of the enterprise balance sheet for the end of a selected year (over these two years) were less than 2 million euros. According to this Act, a micro-entrepreneur is an entrepreneur who employed an annual average of fewer than ten employees in one of the two previous financial years (art. 104 of the Freedom of Business Activity Act of 2 July 2004).

According to a 2018 report by the Polish Agency for Enterprise Development (Report on small and medium enterprises in Poland, 2018), the Polish enterprise sector is dominated by micro-enterprises whose share in the structure of all enterprises is approx. 96.2%. The number of microenterprises has been seen to increase. Currently, there are nearly 1.94 million of them, 13% more than in 2008. A large number of microenterprises have been seen in rural areas since the economic transformations of the early 1990s (Lizińska, 2005, p. 245-252). There were about 185 thousand micro-enterprises conducting non-agricultural activities at the end of the study period, i.e. in 2017 (Local Data Bank, 2019).

It is noteworthy that non-agricultural activity of new enterprises has an impact on rural development and makes the economic structures in such areas more diverse. It creates new jobs and promotes diversification of residents' incomes. As a consequence, the situation for farmers' families (for whom enterprise development created an opportunity for income diversification) improved (Krakowiak-Bal, 2009, p. 209-217).

Sectors of non-agricultural activities in rural areas which enjoyed the most intensive growth included: services, forestry, trade, tourism, housing and small production facilities (Pałka, 2010, p. 163-174). It enables multifunctional rural development. Multifunctional rural development is associated with earning income by village residents from services or production other than the production of food (Mickiewicz & Mickiewicz, 2016, p. 181-185).

Notably, non-agricultural activities have an impact on social, demographic and (primarily) economic stabilisation of rural areas, which cover a considerable portion of each country (Bład, 2010, p. 165-180).

Sieczko and Parzonko (2017, p. 45-55) define the multi-functional nature of rural areas as fitting an increasing number of innovative non-agricultural functions into the rural area. This process results in diversification of rural areas. Making rural entrepreneurship more dynamic is a necessary element of effecting multifunctional rural development. Viswanath (2017, p. 1-25) points out that entrepreneurship development, particularly among relatively poorer social groups, e.g. rural populations, is less attractive to investors, with the consequent lower availability of investment funds. It is mainly microenterprises who can develop under such conditions.

This group of entities brings numerous benefits to their owners and the economy, including (Jasińska-Bilczak 2015, p. 75-80):

- income diversification;
- flexibility in entrepreneur-customer relations as a consequence of the local market nature;
- offsetting the impact of large companies;
- effective use of local resources;
- binding economic objectives with social ones;
- innovative nature of actions.

With the defined benefits in mind, rural residents take up actions which change the purely agricultural nature of rural areas.

It is also noteworthy that external funds are engaged with a view to stimulating the development of local microenterprises. Practically all developed economies use public funds to ensure free or subsidised aid to microenterprises, the self-employed and potential owners of small businesses. Such activities provide an additional stimulus for continuous entrepreneurship development, regardless of the previous level of competition (Saarela *et al.*, 2016, p. 299-313). As Marks-Bielska stresses (2017, p. 1179-1183), socio-economic and spatial conditions in rural areas differ from those in the urban environment. They are sometimes sufficiently beneficial to encourage entrepreneurs to take up business activities outside urban areas. Additionally, one must note institutional actions based on the sustainable development concept. An advantageous position in the acquisition of funds from local development supporting programmes is occupied by entities located in rural areas and ones which are economically weaker than those operating in agglomerations (Shahidullah & Haque, 2014, p. 3232-3251).

Changes in the activity of non-agricultural microenterprises

An analysis of the total number of microenterprises in rural areas per 10 thousand residents shows a gradual increase in the Warmińsko-Mazurskie Voivodship and Poland (Fig. 1). It was observed that this index was much lower in the Voivodship in all the years under analysis. The number of microenterprises in the Warmińsko-Mazurskie Voivodship increased by 19.08 percentage points and by 18.34 percentage points in Poland between 2010 and 2017. The microenterprise index in the voivodship was lower by 124 than in the rest of the country in 2010 and by 143 in 2017. This shows the disadvantageous, persistent disproportions between the region and the rest of the country.

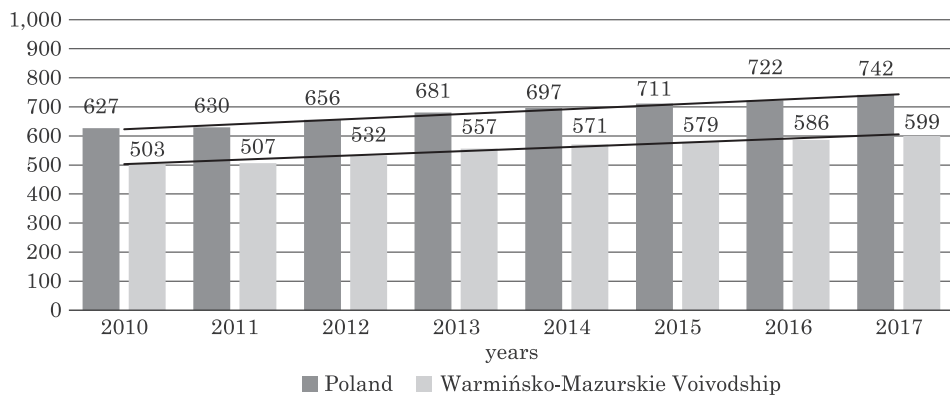


Fig. 1. The number of all microenterprises in rural areas per 10 thousand residents
Source: based on data from Statistics Poland.

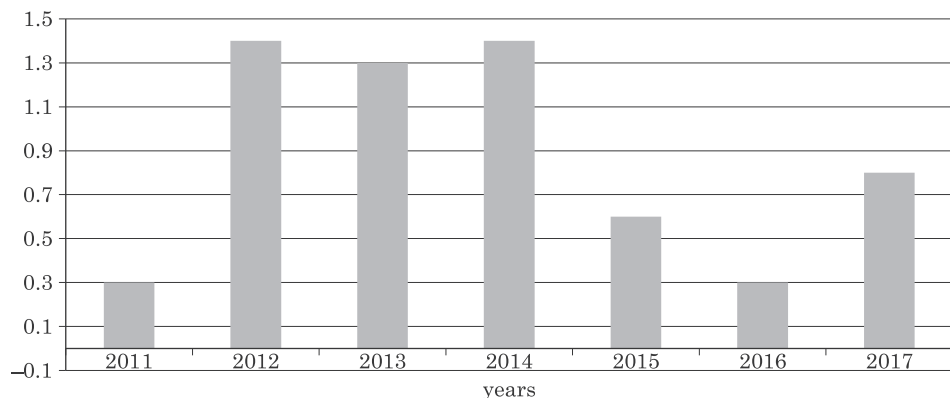


Fig. 2. The absolute increase in non-agricultural microenterprises in successive years in rural areas of the Warmińsko-Mazurskie Voivodship
Source: based on data from Statistics Poland.

An analysis of the absolute increase in the number of microenterprises in the Warmińsko-Mazurskie Voivodship shows a marked decrease in the growth rate following the exhaustion of the aid funds from the EU, after the financing period of 2007-2013 ended (Fig. 2).

An analysis of the non-agricultural entrepreneurship index in individual districts reveals its considerable diversity – both from year to year and in space. The highest index in 2017 was noted in the following country districts: Olsztyn (822), Giżycko (685), and Mrągowo (649), whereas the smallest number of entities was recorded in the districts of Bartoszyce (372), Braniewo (385) and Kętrzyn (430). The data show that microenterprises are concentrated in touristically attractive rural areas. As one can see – except in the District of Olsztyn – microenterprises are not concentrated in rural areas in the vicinity of the largest cities in the region. A comparison of the absolute increase in the entrepreneurship index between 2010 and 2017 shows the highest growth rate in the districts of: Giżycko (160), Olsztyn (159), Elbląg (139), Elk (124) and Lidzbark Warmiński (115), with the lowest growth rate in the districts of: Gołdap (42), Kętrzyn (46) and Działdowo (60) (Fig. 3).

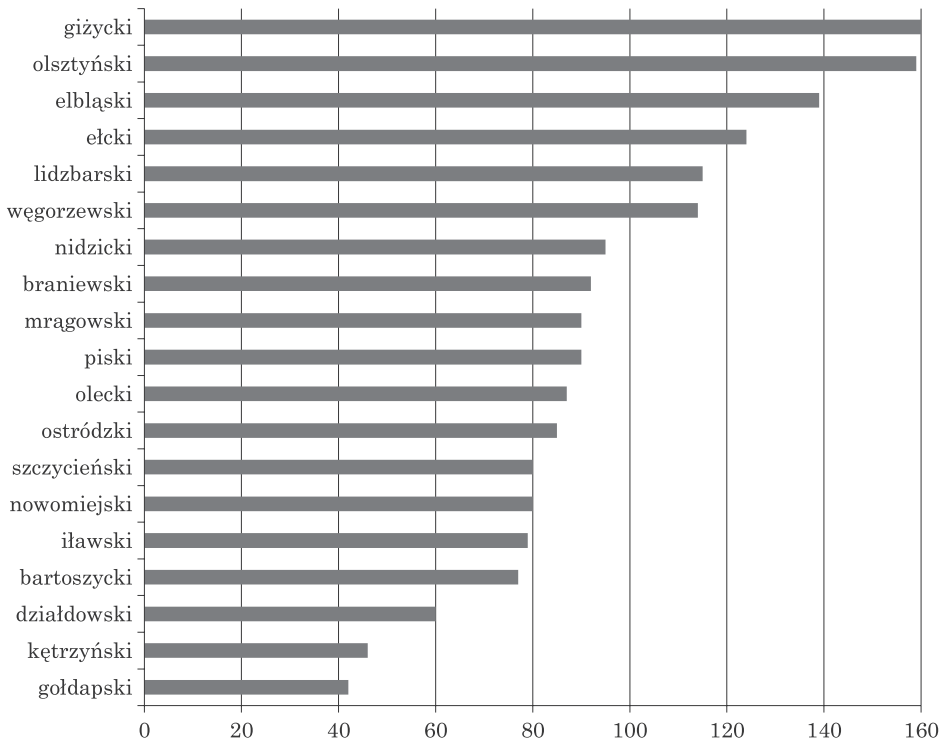


Fig. 3. Increase in the number of non-agricultural micro-enterprises in rural areas per 10 thousand residents in 2010-2017

Source: based on data from Statistics Poland.

An analysis of the total number of micro-enterprises operating in the rural areas of the Warmińsko-Mazurskie Voivodship between 2010 and 2017 shows that the majority of them conducted non-agricultural activities (Fig. 4). The largest share of non-agricultural activities in the total number of microenterprises in 2017 was noted in the districts of: Olsztyn (95.3%), Elk (93.5%) and Giżycko (92.8%). Their share in 2017 was higher compared to 2010 by 3.6 pp on average and was the highest in the district of Węgorzewo (7.8%), Gołdap (6.7%) and Pisz (6.5%), whereas it was the lowest in the districts of: Nowe Miasto (0.2%), Nidzica (0.5%) and Kętrzyn (1.0%) (Fig. 4).

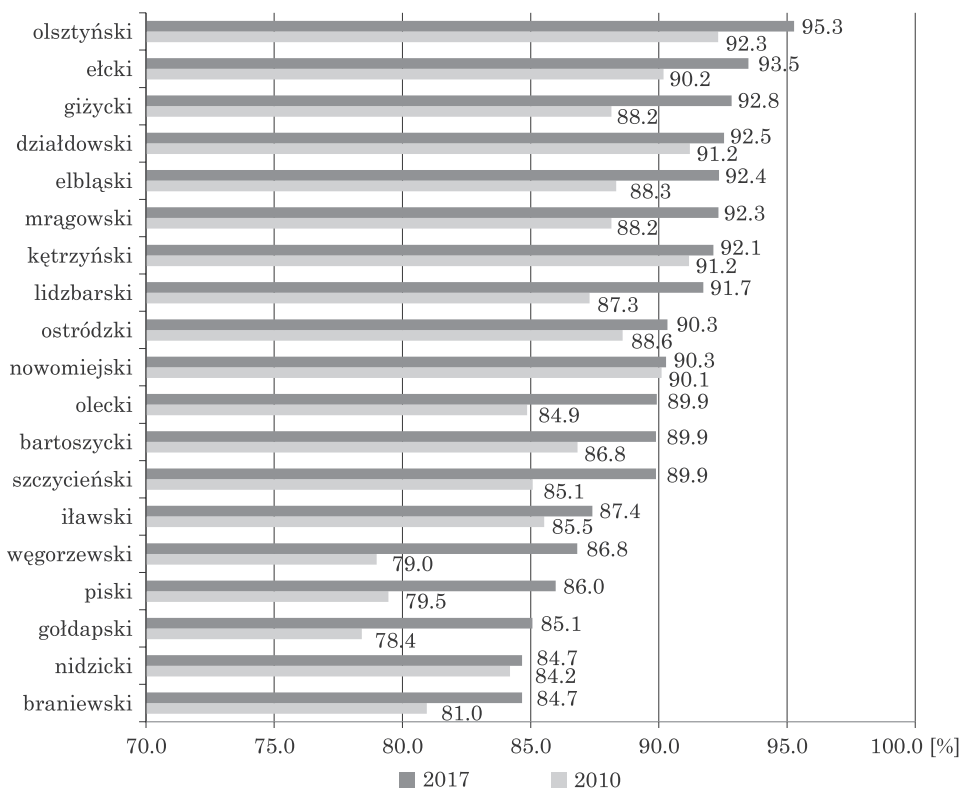


Fig. 4. Percentage of non-agricultural microenterprises in the total number of microenterprises in rural areas of the Warmińsko-Mazurskie Voivodship in 2010 and 2017

Source: based on data from Statistics Poland.

Analysis of the change rate for the number of business entities, particularly microenterprises, provides important insight into the conditions of local economic development. Lizińska points out (2005, p. 245-252) that EU aid has certainly contributed to creating new jobs and to decreasing unemployment through incentives for investors, restructuring the industry in an area and the

gradual replacement of agricultural functions with other types of activities. The development of micro-entrepreneurship should be seen as a major stimulant for rural development, which especially applies to the areas outside the sphere of influence of large cities.

Summary

One can conclude that non-agricultural activities conducted in rural areas play an increasingly important role in the stimulation of local development. New (especially micro-) enterprises give jobs to the rural population and former workers of state-owned agricultural farms who suffered exclusion for years. The number of microenterprises in rural areas is increasing both all over Poland and in the Warmińsko-Mazurskie Voivodship. The study shows that the increase in the micro-enterprise index per 10 thousand rural residents is lower in the Warmińsko-Mazurskie Voivodship than the average index for rural areas in Poland. The increase in the absolute number of micro-enterprises was seen to slow down after the EU funds from the programming period of 2007-2013 were used up and before the operational programmes of 2014-2020 started. Therefore, one can claim that the entrepreneurship growth rate in rural areas is affected by external funds.

This study disproved the hypothesis that the concentration of microenterprises would be found in the districts bordering on the largest cities in the region. This was true for Olsztyn – the capital of the voivodship – and the country district of Olsztyn. However, the next districts in the ranking, those of Giżycko and Mragowo, are some distance from large cities, with well-developed tourist functions being their common feature.

As for the second hypothesis, the higher growth rate of the number of microenterprises in rural areas neighbouring on large cities was confirmed. The largest increase in the micro-entrepreneurship index for non-agricultural activity in rural areas was found in four out of six country districts of the region (Elk, Olsztyn, Giżycko, Elbląg) with the largest cities. The index was in the middle range in the other two, i.e. in the districts of Iława and Ostróda.

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