



EU FUNDS AS A FORM OF SUPPORT FOR YOUNG ENTREPRENEURS IN POLISH RURAL AREAS

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ABSTRACT

The purpose of this article is to highlight the importance of entrepreneurial attitudes and behaviour in pursuit towards a permanent multilevel development of rural areas and preventing their marginalization. The entities considered to be responsible for entrepreneurial behaviour in the countryside, are the young people living there. In their discourse, the authors focus on the factors that motivate and facilitate economic activity among young people in rural areas, as well as characterize the existing development-related barriers and stress their negative impact on entrepreneurship of young people. In addition, the article highlights the important role of the EU funds, as a strong incentive to create one's own, often very innovative businesses. The paper also outlines the characteristics of European funds supporting entrepreneurship in rural areas, as well as gives examples of projects where the financial help was successfully provided.

The role of entrepreneurship in building sustainable development.

In modern society, entrepreneurial competencies are particularly highly valued. It is believed that entrepreneurship is a major spur to economic development of the region, increasing its competitiveness, or to improve the quality of life of residents in the area¹. The theorists dealing with the phenomenon of entrepreneurship emphasize that it still lacks one universally accepted definition.

¹ Lichniak I., *Rozwój przedsiębiorczości w Polsce* [in:] Lichniak I. (eds.), *Determinanty rozwoju przedsiębiorczości w Polsce*, Publishing House SHG in Warsaw, Warsaw 2011, p 11

Depending on the context in which it is used, attention is paid to its different features². According to many researchers, entrepreneurship should refer to human beings. According to them, it is a system of thought, action and type of behaviour, which allows running a business in an optimal way³. *"When we want to define entrepreneurship it can be treated as a human attitude or as a process of changes under the influence of this attitude. Entrepreneurial attitude is expressed by a human being in its active and creative behaviour towards reality, the pursuit of improvement, taking new actions"*⁴. According to A. Gibb, the personality traits of an entrepreneur include, among others; initiative, flexibility, creativity, leadership skills and efficiency in problem-solving⁵. Entrepreneurship is a skill *"in terms of creating new values and the desire to apply this ability to take particular actions."*⁶ It is the driving force behind many socio - economic phenomena and especially, as observed by J. Szumpeter, it significantly fosters the economic development of the country⁷. Generally, however, the phenomenon of entrepreneurship is given three basic meanings; It may relate a group of social actors - as noted above; to the activities performed by these persons, or at the macro level – it may concern socio - economic development⁸.

Entrepreneurial attitudes of young people.

As stated in the article, young people on completion of their process of education should adopt an entrepreneurial attitude and take responsibility for economic and social development of our country. *"A particular area of interest is the entrepreneurship among young people, understood here as a personal initiative in gathering the resources needed for the final success of the first and most important transition from education to work,*

² Gawel, A., *Ekonomiczne determinanty przedsiębiorczości*, University of Economics in Poznan, Poznan, 2007, p 13

³Lichniak I., *Rozwój przedsiębiorczości w Polsce* [in:] Lichniak I. (eds.), *Determinanty rozwoju przedsiębiorczości w Polsce* Publishing House SHG in Warsaw, Warsaw 2011, p 11

⁴ Gawel, A., *Ekonomiczne determinanty przedsiębiorczości*, University of Economics in Poznan, Poznan, 2007, p 23

⁵ Plawgo B. (ed.) *Lokalne uwarunkowania rozwoju przedsiębiorczości na przykładzie powiatu łomżyńskiego*, published by the State Higher School of Computer Science and Business Administration in Lomza, Lomza 2005, p 14

⁶ Grzegorzewska-Mischka E., *Współczesne uwarunkowania rozwoju przedsiębiorczości w Polsce*, Publishing House of Warsaw School of Economics, Warsaw 2010, p 29

⁷ Campion, M., *Rola samorządu we wspieraniu lokalnej i regionalnej przedsiębiorczości*, Publisher of the Scientific Pedagogical University, Kraków 2012, p 12

⁸ Ibid, p 15

which at the same time constitutes a developmental transition to adulthood.⁹” Currently, it is noted that youths in Poland plan their future more often than in the past, also considering the possibility of starting their own business and self-employment¹⁰. However, studies show that young people are the least numerous group of employers - only 6.5 %. This does not stem from the lack of interest with such initiatives, but consequence of the barriers young people face when willing to take-up such action¹¹. The main obstacle in starting a business is the lack of sufficient financial resources for the establishment and sustaining the company in the first year of its existence¹². According to the report, “Młodzi 2011” [”Youths 2011”] young people up to 30 years of age are a group that is far from passive - on the contrary, they are very often interested in setting up their own business. However, on their way to achieve this, they face the barrier of complicated procedures and lack of starting capital¹³. The study done by PARP in December 2010, entitled „Determinanty innowacyjności i rozwoju przedsiębiorstwa” [”Determinants of innovation and enterprise development”] shows that an important incentive limiting the competitiveness of small and medium-sized companies is the lack of external financing¹⁴. It is worth quoting the results of studies showing the difference in the approach to the idea of starting one’s own business between students and college graduates. It turns out that often the students were more often willing to engage in entrepreneurship (about 47 %) than graduates (about 36%)¹⁵, which may be due to the fact that people seeking to enter the labour market have already experienced their first failures and came into contact with the barriers that hinder the development of entrepreneurship. In turn, the students had not yet had such experiences and were not aware of the restrictions.

⁹ Bańka A., *Przedsiębiorczość w okresie adolescencji i wczesnej dorosłości. O formowaniu się tożsamości nowego typu* [in:] Z. Ratajczak (ed.), *Przedsiębiorczość. Źródła i uwarunkowania psychologiczne*, Difin, Warsaw 2012, p 27

¹⁰ Ibid, p 29

¹¹ Arak P., Boni, M., Szafraniec K., *Młodzi 2011*, Prime Minister's Office, Warsaw 2011

¹² *Warunki powstawania i działania oraz perspektyw rozwojowych polskich przedsiębiorstw powstałych w latach 2007-2011* Central Statistical Office, Warsaw 2013, pp. 31-37

¹³ Arak P., Boni, M., Szafraniec K., *Młodzi 2011*, Prime Minister's Office, Warsaw 2011

¹⁴ Ibid.

¹⁵ Zawodzinski K *Podjęmowanie własnej działalności gospodarczej przez absolwentów szkół* [in] Lichniak I. (eds.), *Determinanty rozwoju przedsiębiorczości w Polsce*, Publishing House of the Main School of Economics in Warsaw, Warsaw 2011, p 282

Entrepreneurship as an opportunity to overcome the marginalization of rural areas.

It is widely known that rural areas are particularly at risk of marginalization as regards the social, economic and educational aspect. Unfortunately, the phenomenon of exclusion is a difficult to overcome once it occurs¹⁶. It is emphasised that exclusion is affecting mostly the individuals involved in agricultural activities or living in under-populated outskirts. Furthermore, it is thought that the lack of skills to optimally utilize the resources located in those areas is the factor responsible for such state of things. Therefore an extremely important matter that may positively change the situation in rural areas is the development of entrepreneurship¹⁷.

As it has been formerly indicated, agriculture does not belong to the branches of economics with the highest financial effectiveness. On the contrary, agricultural production is crisis- triggering factor¹⁸. To overcome the difficult situation in rural areas, attention must be drawn to the non-agricultural activeness, establishing small and medium sized enterprises, innovative and forward-thinking, related not only to the modernization and specialization of farms, but also to the non-agricultural activity, as complementary to agriculture, understood as agribusiness in its broad meaning¹⁹.

Factors supporting the development of entrepreneurship. Barriers for development.

Entrepreneurial attitudes are conducive to the broadly understood development in a specific local environment. They help to overcome many problems of the region, related both to the economic and social aspects. Therefore, it is worth posing a question at this point: who should be responsible for shaping local development? Which social groups should play such an important role in the first place? In the opinion of the authors, it should be the young generation, as they are characterized by features like: open-mindedness with regard

¹⁶ Ślusarz G, *Przedsiębiorczość jako forma przeciwdziałania marginalizacji obszarów wiejskich* [in] Czudec A. (ed.), *Innowacyjność jako czynnik rozwoju przedsiębiorczości na obszarach wiejskich*, Department of Economics, University of Rzeszów, Rzeszów 2007, p 20

¹⁷ Ibid, p 15

¹⁸ Ślusarz G, *Przedsiębiorczość jako forma przeciwdziałania marginalizacji obszarów wiejskich* [in] Czudec A. (ed.), *Innowacyjność jako czynnik rozwoju przedsiębiorczości na obszarach wiejskich*, Department of Economics, University of Rzeszów, Rzeszów 2007, p 24

¹⁹ Ibid, p 25, 30

to changes, creativity and courage; consequently, it is them that should be the driving force for the implementation of innovative, creative and constructive changes in their immediate and more remote surroundings.

Another question that arises is which factors have impact on entrepreneurship, especially among young people? Which issues may encourage the phenomenon and which create the barriers? There is no unanimous, clearly defined answer to this question. The factors that influence entrepreneurship development, either in a positive or negative way, can be divided into four categories: economical, legislative, educational and social incentives. Social incentives are mainly due to individual personality traits of the individual. They were highlighted in the first sub-chapter and will be therefore excluded from further discourse.

While analysing the forms of entrepreneurship support, not only among the youth, it needs to be noted that in the broader context there are three main pillars with this goal in prospect, namely:

1. the supranational level (political considerations of the community of states concerning support for entrepreneurial attitudes in the area);
2. the state level (state policy affecting the development of domestic entrepreneurship and its competitiveness, as compared to other countries);
3. the local level, organizational (policy specific companies, local government units)²⁰.

The above-mentioned elements prove that the development of entrepreneurship is a multi-aspect issue, it is influenced by many variables and cannot be analysed only in the micro or macro scale. The later part of the article presents the motives and barriers related to building entrepreneurial approach among young people from rural areas. The authors would like to note that the below-mentioned do not only concern young people living in rural areas; one may assume that they characterise the dilemmas and issues that almost all entrepreneurs must face, irrespective of their age and place of residence. Nevertheless, considering the nature of the discussed subject, the authors will narrow their discourse to the youths living in rural areas.

²⁰ Chmieliński P., *Wspieranie przedsiębiorczości w działalności gospodarczej małych i średnich przedsiębiorstw w Polsce* [in:] Strużycki M. (ed.), *Przedsiębiorczość w teorii i praktyce*, School of Economics in Warsaw, Warsaw 2006, p 173

First of all, the article will present the incentives that result in the development of *Przedsiębiorczość w teorii i praktyce* doubt is the income obtained from the actions taken and increasing the financial value of the company. Economic plans carried out successfully, bring optimism to the young investors and encourage them to introduce new innovative ideas, which allows for entrepreneurship to thrive. Another efficient incentive is a positive and sustainable effect of a new product or a service being introduced to the market, especially when it remains a subject of interest to a wide spectrum of customers even in the long run²¹.

Also the legislative incentives belong to the group of factors that have motivational influence towards business-oriented behaviours. Well-constructed law regulations give the chance for prosperity of the company and assist the process of planning further actions²².

Without a doubt, a factor influencing entrepreneurship that deserves special attention is education. It is emphasized that it is a kind of incentive that stimulates the creation of local businesses; therefore increasingly there is increasingly more discussion concerning the necessity to introduce life-long learning or specialised business education to strengthen entrepreneurship among young people in the state.

The National Cohesion Strategy 2007-2013²³ contains an entry on lifelong learning. At this point, it is worth to quote the words of A. Malinowski, stating that only 4% of people have inborn entrepreneurial competences. The remaining 96% must acquire these skills, which may be achieved through efficient education. What is relevant, constant education allows young people to obtain different qualifications and increase their occupation flexibility which in turn stimulates the development of entrepreneurship²⁴. Undoubtedly, is worth to invest in education for young people as: *“they are the most important actors on the scene of economic processes and their knowledge along with the decisions they make significantly influence the shape of the current economic life of the entire society*²⁵. The below outline depicts the way in which the analysed factors influence entrepreneurship among young people.

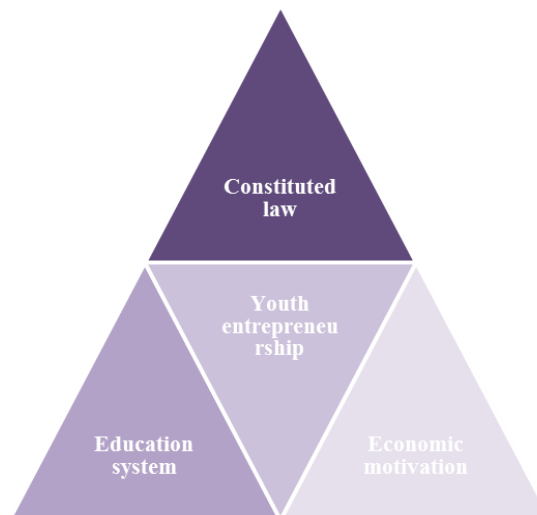
²¹ Grzegorzewska-Mischka E., *Współczesne uwarunkowania rozwoju przedsiębiorczości w Polsce*, Publishing House of Warsaw School of Economics, Warsaw 2010, pp. 60-61

²² Grzegorzewska-Mischka E., *Współczesne uwarunkowania rozwoju przedsiębiorczości w Polsce*, Publishing House of Warsaw School of Economics, Warsaw 2010, pp. 61-62

²³ Ibid, p 62-63

²⁴ Ibid, pp. 63-64

²⁵ Ibid, p 65



Source: own

Among the factors that mobilise to start a long-lasting business activity one can include those handled by the local government units. The implementation of instruments that support entrepreneurship may and should be included into the program that the local government presents. The division and overall characteristics of these tools is shown in Table 1.

Table 1. entrepreneurship-supporting instruments within LGUs.

Category of instruments	Elements included
Law and administration	Spatial development plan Permissions Injunctions and prohibitions resulting from local and general law
Economic – financial	Height of taxes and local charges Permissions and tax reliefs Abandonment of tax collection
Infrastructural	Good state of technical infrastructure: roads, waterworks etc.
Institutional – organizational	Consultation with local entrepreneurs as regards planned investments Meetings of local partners to discuss problem-solving for local issues
Promotional – informative	Promotion of municipalities Open and honest communication with investors,

Source: Own, based on Plawgo B. *Lokalne uwarunkowania rozwoju przedsiębiorczości na przykładzie powiatu łomżyńskiego*, the State Higher School of Computer Science and Business Administration in Lomza, Lomza 2005, p. 24-31

Much as the factors that motivate young people to take up entrepreneurial actions are of extreme importance, attention must be paid to the kind of barriers encountered on the threshold of one's professional career. Also, it needs to be mentioned that the incentives such as i.e. the legislative ones, previously classified as positive, can at the same time create problems and hinder entrepreneurial attitudes. The afore-mentioned legislative barriers will be analysed first; they appear at the very beginning of the business-planning process and follow throughout the entire time of running a business. *"The legislative barriers are universally criticised and still remain a problem that is difficult to overcome. They are known to practically every entrepreneur and pointed as the reason of their limited possibilities of growth"*²⁶. Those include:

1. a relatively long waiting time regarding the registration of the business (about 1 month) and high costs associated with it;
2. existing investment-related procedures;
3. exaggerated repressiveness of the government administration towards entrepreneurs;
4. confusion and lack of consistency in the Polish economic law;
5. too frequent control checks in companies;
6. extensive and time-consuming system of compulsory business activity reporting;
7. violations of the free market principles on the part of the state;
8. More support and protectionism provided to employees, rather than employers;
9. inconsistent and unfavourable tax law²⁷.

General observations concerning the Polish legal system in the context of entrepreneurship reveal its lack of internal cohesion, excessive complexity and ambiguity. One of the legislation-based barriers are also changes and corrections made too often. Micro-enterprises are sometimes unable to keep up with the constantly changing legislative acts²⁸.

²⁶ Grzegorzewska-Mischka E., *Współczesne uwarunkowania rozwoju przedsiębiorczości w Polsce*, Publishing House of Warsaw School of Economics, Warsaw 2010, p 78

²⁷ Ibid, pp. 77-78

²⁸ Ibid, pp. 86-87

Undoubtedly, among major barriers to the development of entrepreneurship of the young generation are all kinds of bureaucratic issues. Young people, school leavers, standing at the start of their adult life are not adequately prepared to fight with the powerful system of bureaucracy in our country. Many people trying to set up their own businesses are discouraged at the beginning of their career; also due to the reluctant attitude of the civil servants, who are often extremely unfriendly and do not show initiative to help the future entrepreneurs, yet gaining their experience. In addition, bureaucratic procedures take much time and energy from the investors, who must be disproportionately involved in reporting obligations²⁹. Another concept that discusses the barriers faced by persons engaged in entrepreneurship, lists such negative factors as:

1. market restrictions;
2. financial difficulties;
3. legal problems;
4. issues resulting from state policy;
5. difficulties of human capital;
6. issues related to access to information;
7. problems with the production system³⁰.

As shown above, some of the issues related to the discussed problem appear recurrently in many concepts. The multitude and variety of barriers that make it much harder for young people to take up business-related activeness is a negative phenomenon that must be done away with. Oftentimes, a young person wanting to try their hand in business at the onset of their lives, after a confrontation with a number of barriers and restrictions, give up taking up their own business, even though they have interesting, innovative ideas.

Presumably, the factors facilitating the creation and development of enterprises presented in this subsection are yet insufficient. Therefore one needs to think on such instruments that would provide enough stimulus young people act and think

²⁹ Grzegorzewska-Mischka E., *Współczesne uwarunkowania rozwoju przedsiębiorczości w Polsce*, Publishing House of Warsaw School of Economics, Warsaw 2010, p 83

³⁰ Pławgo B. (ed.) *Lokalne uwarunkowania rozwoju przedsiębiorczości na przykładzie powiatu łomżyńskiego*, published by the State Higher School of Computer Science and Business Administration in Lomza, Lomza 2005, p 20

in an entrepreneurial manner. In the opinion of the authors, the European funds may play this role successfully.

European funds as means for promoting entrepreneurship in rural areas.

When analysing the problems that rural areas face due to their marginalization, it seems particularly important to be targeting those areas with different forms of support to overcome stagnation. The funds from the European Community are a unique opportunity here, because, as many theorists believe, the main requirement for an enterprise to be set up is sufficient financial support instruments³¹. Polish entrepreneurs have access to them under the Structural Funds, since 2004³². The Sectoral Operational Programme Improvement of the Competitiveness of Enterprises, realized in the years 2004-2009, there allowed for many positive changes and effects for people running or setting up their own business³³. *"The common European Union policy in the field of entrepreneurship seeks to remove barriers to the free movement of goods, services, people and capital."*³⁴

The EU funds aimed at achieving the objectives of the common policies of the European Union, among others, are expected to lead to *"the harmonious, balanced and sustainable development of the economy, high levels of employment (...) a high degree of competitiveness and convergence of economic performance (...)"*³⁵ also in rural areas. EU funds make it possible to align the development disparities between regions; their main objective is to solve the problem of social and economic inequality with the transfer of funds between Member States. The implementation of projects is co-financed from the European Social Fund and the Cohesion Fund in the field of business, education, local activity or infrastructure and contributes to the equalization of opportunities for inhabitants of rural areas and changes in the Polish countryside. Another instrument affecting the development of the rural areas

³¹ Walenia A. *Znaczenie funduszy strukturalnych UE w finansowaniu rozwoju przedsiębiorczości* [in] Czudec A. (ed.), *Innowacyjność jako czynnik rozwoju przedsiębiorczości na obszarach wiejskich*, Department of Economics, University of Rzeszów, Rzeszów 2007, p 91

³² Mentelski P., *Warunki i bariery dostępu do środków Unii Europejskiej dla różnych grup przedsiębiorców* [in] Czudec A. (ed.), *Innowacyjność jako czynnik rozwoju przedsiębiorczości na obszarach wiejskich* Department of Economics, University of Rzeszów, Rzeszów 2007, pp. 123

³³ Kłopotek A. *Źródła finansowania działalności innowacyjnej małych i średnich przedsiębiorstw* [in] Lichniak I. (eds.), *Determinanty rozwoju przedsiębiorczości w Polsce*, Publishing House of the Main School of Economics in Warsaw, Warsaw 2011, p 353

³⁴ Saar MA, *How local governments can support the development of entrepreneurship?*, CeDeWu, Warsaw 2011, p 22

³⁵ Treaty on establishing the European Community, art. 2

is the Common Agricultural Policy, aiming to support social and economic initiatives by means of which the difference in living standards between urban and rural areas in local communities is being reduced.

The sum of structural funds granted to Poland between years 2004 – 2006 was almost 8,6 billion Euros. In the case of the European Fund for Regional Development the sum granted for Poland between years 2004 – 2006 was almost 5 billion Euros, from the European Social Fund - 2 billion Euros; the funding that Poland obtained from the from the Agricultural Guidance and Guarantee Fund was 1,2 billion Euros, and from the Financial Instrument for Fisheries Guidance over 200 million Euros. In the years 2007-2013, pool funds allocated to Poland within the framework of the Rural Development Programme is more than 17 billion euros, of which under Axis 3: *Improving the quality of life in rural areas and diversification of the rural economy* over 4 billion Euros, and Axis 4: Leader – more than 1 billion Euros. Huge resources are also available within the Operational Programme Human Capital (9.7 billion Euros), including Priority VI in *the labour market open to all*, assuming among other things, to increase the employment of women and raise the level of professional qualifications. Between the years 2007-2011, European funds enabled the development of the Polish economy - created more than 150 thousand new businesses, and direct support was given to more than 42.5 thousand existing companies (co-funded by the Human Capital)³⁶. Young entrepreneurship is assisted through the implementation of the cohesion policy, realized thanks to the absorption of EU funds³⁷. Both in the 2004-2006³⁸ budget perspective and in the 1current 2007-2013³⁹ budget it is possible to help improve the quality of life of the residents and eliminate the differences between the wealthier and poorer regions as well as between urban and rural areas.

Within the framework of the national and Regional Programmes Cohesion Policy, Common Agricultural Policy and the Common Fisheries Policy, financed by respective EU

³⁶ https://www.funduszeuropejskie.gov.pl/wiadomosci/Strony/Bilans_czlonkostwa_w_UE_Fundusze_Europejskie_300413.aspx

³⁷ Cohesion policy aims to increase the economic growth and employment rate in all regions and cities of the European Union . It is implemented mainly by two structural funds , namely: the European Regional Development Fund (ERDF), European Social Fund (ESF) and the Cohesion Fund (CF).

³⁸ In 2004-2006, entrepreneurial activities were supported by, among others: the Integrated Regional Operational Programme (IROP), the Sectoral Operational Programme Improvement of the Competitiveness of Enterprises (SOP ICE) , the Sectoral Operational Programme Restructuring and Modernisation of the Food Sector and Rural Development

³⁹ As part of the 2007-2013 programming period, entrepreneurship (including young people) was co-financed under the Operational Programme Human Capital (OP HC) , the Operational Programme Innovative Economy (OP IE) , and the Regional Operational Programme of Lodz (ROP) and the Program Rural Development (RDP)

funds (ERDF, ESF, CF, EAFRD, EFF) there are common areas of intervention including, among others, the sphere of business discussed here or the development of human resources. According to the adopted Community legislation it is unacceptable to finance the same projects from different EU funds. Member States have the obligation to apply solutions at the national level that clearly define the scope of intervention for each fund⁴⁰.

Table 2. European Union funds for the development of entrepreneurship

Support for entrepreneurship in the context of European Union funds	
2004-2006	2007-2013
Integrated Regional Operational Programme (IROP)	16 Regional Operational Programmes (ROP)
Sectoral Operational Programme Improvement of the Competitiveness of Enterprises (SOP ICE)	Operational Programme Innovative Economy (OP IE)
Sectoral Operational Programme Human Resources Development (SOP HRD)	Operational Programme Human Capital (OP HC)
Sectoral Operational Programme Restructuring and Modernisation of the Food Sector and Rural Development (SOP)	Rural Development Programme (RDP)

Source: own based on: www.funduszeuropejskie.gov.pl Changes to the system 2007-2013 programming

It is worth mentioning once again that the development of the Small and Medium Enterprises (SMEs) is an important point in the policy of the European Union. European document of March 2000, the Lisbon Strategy strongly emphasizes the need to create optimal conditions for the development of entrepreneurship. It has become a priority in the socio - economic policy of the EU. Certainly the EU Directives adopted under the Lisbon Strategy,

⁴⁰The demarcation line is not a catalog of all interventions of the EU funds; it solely shows those areas (actions) in which the need for support needs to be separated into categories, in order to avoid multiple financing of projects of the same type. Information on the kind of support provided to specific types of interventions is included in the operational programs and their detailed documentation (e.g., detailed descriptions of priorities). The demarcation line is their complementation, identifying specific criteria indicating the place of projects within the given OP/ROP.

favour the formation processes and entrepreneurial attitudes. These include instruments such as, for example: reports on competitiveness, European Observatory of small and medium-sized businesses, or the reports of best practices and patterns of proceedings⁴¹. Also in Poland, thanks to the EU membership, a number of activities aimed at developing entrepreneurship have been implemented and the following instruments to support entrepreneurs have been introduced:

1. multiannual program for enterprise and entrepreneurship for 2001-2005;
2. European Charter for Small and Medium Enterprises;
3. Committee on the Simplification and Improvement of Small and Medium Enterprises⁴².

One should also refer to the document adopted in 2000 in Lisbon, namely the European Charter for Small Enterprises, which guides the countries belonging to the European Union for the implementation of activities within the country towards optimal development of entrepreneurship. Types of these activities are presented in Table 3.

Table 3: Objectives and activities of the EU policy focused on helping entrepreneurs.

The main objectives of Community Policy towards entrepreneurs
Supporting education and training in the field of entrepreneurship
Facilitating and accelerating the mobilization of business and business registration
Simplification of legislation and regulations
The development of vocational education in order to increase access to qualifications
Improving the availability of electronic services
Improving the operation of enterprises in the Single European Market
Simplifying the tax system and to facilitate access to sources of financing
Supporting new technologies - to strengthen the technological capabilities of small enterprises
Promotion of the use of e-business and new business support systems

⁴¹ Walenia A., *Znaczenie funduszy strukturalnych UE w finansowaniu rozwoju przedsiębiorczości* [in:] Czudec A. (ed.), *Innowacyjność jako czynnik rozwoju przedsiębiorczości na obszarach wiejskich*, Department of Economics, University of Rzeszów, Rzeszów 2007, p. 93

⁴² See Walenia A. *Znaczenie funduszy strukturalnych UE w finansowaniu rozwoju przedsiębiorczości* [in:] Czudec A. (ed.), *Innowacyjność jako czynnik rozwoju przedsiębiorczości na obszarach wiejskich*, Department of Economics, University of Rzeszów, Rzeszów 2007, p. 93

Developing more effective and stronger representation of small enterprises' interests at national and EU level

Source: own based on: Walenia A. . *Znaczenie funduszy strukturalnych UE w finansowaniu rozwoju przedsiębiorczości* [in] Czudec A. (ed.), *Innowacyjność jako czynnik rozwoju przedsiębiorczości na obszarach wiejskich* Department of Economics, University of Rzeszów, Rzeszów 2007, pp. 94-95

Apart from the above, until 2005 the Multiannual Programme for Enterprises and Entrepreneurship was in force and it had the task of promoting "entrepreneurship as a valuable and productive life skill"⁴³.

European funds undoubtedly created very attractive development opportunities for young entrepreneurs, but nevertheless it should be emphasized that, despite the general renewed interest in resources, not all young entrepreneurs, or people trying to start a company decide to apply for them. This might be due to many reasons, but certainly the most important limitation factor is the occurrence of barriers regarding access to funds; these can be divided into internal and external ones.

Internal barriers relate to the situation of specific companies, for instance their economic resources, their personnel, the level of investment of the company and the innovations applied, as well as the general knowledge and experience in writing proposals. Young people, while running a company, often face difficulties with access to loans that enable them to function; they do not have sufficient knowledge about the benefits of introducing innovative solutions. In case of the EU funds, the fundamental problem is the lack of knowledge of the principles regarding project preparation and applications for financing. Entrepreneurs often do not know how to use the Applications Generator, what information needs to be prepared before writing project a project. Many entrepreneurs believe that the idea for the business is enough to write a good application. However, they are unaware that in addition to the general concept they should also prepare, among other things, the list of the goals and results of the project, specific activities, detailed budget, methodology for the project management cycle. Some people trying to get the support of the EU, resign from further activity when facing the very initial issues of the development phase. Other

⁴³ Walenia A. . *Znaczenie funduszy strukturalnych UE w finansowaniu rozwoju przedsiębiorczości* [in] Czudec A. (ed.), *Innowacyjność jako czynnik rozwoju przedsiębiorczości na obszarach wiejskich*, Department of Economics, University of Rzeszów, Rzeszów 2007, p 95

people who are able to submit a project proposal and obtain awaited support, do not have consistent project documentation, which is helpful and even necessary to successfully carry out subsequent tasks. These entrepreneurs struggle with amendment procedures at the reporting stage, or with requests for payment. It happens that some of them are even forced to abandon the action taken⁴⁴.

The entrepreneurs' access to funds from the European Union budget is also limited by external barriers, which are out of their hands to a large extent. Entrepreneurs applying for European funds often report an extensive list of obstacles⁴⁵. The list is included in Table 4.

Table 4. Barriers faced while accessing EU funds by entrepreneurs.

Table of subjective factors limiting entrepreneurship.
Complicated and meticulous preparation and evaluation of proposals.
The constantly changing procedures
The complicated manual for filing the funding applications
Lengthy periods of proposal evaluation
Low levels of funding
High cost of loans causing problems with obtaining own contribution
Limited access to information regarding operational programs
Limited scope of eligible expenses
Inability to apply for funding those investments that are already underway
Large number of required attachments
Limited eligibility of the entrepreneurs for particular operational programs
The criterion for innovation - the most common barrier to raising funds

Source: own elaboration based on: Mentelski P., conditions and barriers to access to EU funds for different groups of entrepreneurs [in] Czudec A. (ed.), *Innovation as a factor in the development of entrepreneurship in rural areas*, Department of Economics, University of Rzeszów, Rzeszów 2007, p 140

⁴⁴ Mentelski P., ., *Warunki i bariery dostępu do środków Unii Europejskiej dla różnych grup przedsiębiorców* [in] Czudec A. (ed.), *Innowacyjność jako czynnik rozwoju przedsiębiorczości na obszarach wiejskich*, Department of Economics, University of Rzeszów, Rzeszów 2007, pp. 134-139

⁴⁵ Table of barriers presented by entrepreneurs in 2007. Some of them might have been modified.

Sources of financing projects for young people living in rural areas.

Entrepreneurship of young people living in rural areas faces the barriers aforementioned by the authors. The main one, both at the time of setting up business and in the first period of running a company, is the financial barrier. It may be offset by available funds from the European Union. As shown in the available implementation summary of funds distributed by the Agency for Restructuring and Modernisation of Agriculture for the period 2004-2006, the proposals submitted to facilitate start-up for young farmers amount to close 1 billion; the grants settled amount to over 700 million. Under Measure 2.4 *Diversification of agricultural activities and activities close to agriculture to provide multiple activities or alternative sources of income* over 7,000 applications were submitted, for a total amount of over 300 million, of which correctly settled applications amount to the value of 282 million dollars. The Agency data, however, do not provide information on how many of these proposals concerned the economic activity of young people⁴⁶. Table 5 presents the programs in which young entrepreneurs can gain financial support.

Table 5. Areas of entrepreneurship support in rural areas.

Area of support	Regional Operational Programs / OP Human Capital	Operational Programmes at the central level (within the Cohesion Policy)	Operational Programmes Common Agricultural Policy and the Common Fisheries Policy
1/ training – advisory support	OP HC	-	-
2/ investments in fixed assets and infrastructure	ROP	OP IE	RDP
3/ grants for starting up the business	OP HC	-	RDP
4/ Development of the existing activity	ROP	-	RDP
5/ switch to non-agricultural activities	-	-	RDP

Source: own study

Overview of completed projects by rural entrepreneurs.

⁴⁶ Management Information System ARMA for the year 2009; information on the number and amounts of submitted requests for assistance and the amounts of payments made under the SOP are available at http://www.arimr.gov.pl/uploads/media/0510_SPO_rolny.pdf

The previous section of the paper presents detailed inventory of all European funds aimed at the development of rural areas. Means used by RDP are of great importance for the development of Polish villages and already today we can say that it brought a number of positive changes; however, all of them would be difficult to enlist and this article does not concern them.

The authors decided analyse only the European funds directed to persons residing in villages, within the framework of the action: *The creation and development of micro-enterprises*. The RDP funding period 2007 – 2013, over 1.02 billion Euros was spent on this activity. According to Ministry of Agriculture and Rural Development "by mid- 2012 over 31 thousand proposals were submitted for the amount of 6.09 billion PLN, signed more than 7.8 thousand agreements to grant aid in the amount of 1.39 billion PLN constituting 31.18 % of the limit of funds and made payments in the amount of 563.70 million PLN for 3798 beneficiaries.

The intention was to provide examples of projects completed by young entrepreneurs; however, due to the lack of information on the age of the beneficiaries of individual actions, it was not possible to isolate only those enterprises which were established by young people. The authors therefore decided to present the projects mentioned in two publications of the Ministry of Agriculture and Rural Development^{47, 48}. These have been selected at the request of the MARD both by the Agency for Restructuring and Modernisation of Agriculture, as well as by the regional governments. It can therefore be assumed that they were among the most important local projects, as they were chosen out of many others.

The authors decided to analyse these projects because according to the GSO, the recently established companies are mainly created by young people. In addition, detailed information on the subject shows that two thirds of Polish companies created in 2007-2011 were registered by people under 39 years of age, while about half of entrepreneurs were under 30 years of age⁴⁹. Therefore, it is highly likely that a significant proportion of the analysed projects in the article, was made and carried out by youths from rural areas.

Table 6 shows the projects included in the mentioned publications of MARD, divided by province. It is worth noting that four provinces (Lubusz, Silesian, Warmia - Mazury, West

⁴⁷ *Development of rural entrepreneurship examples of projects implemented under the RDP 2007-2013*, Ministry of Agriculture, Warsaw 2012

⁴⁸ *Rural Development Programme for 2007-2013 - examples of completed projects*, Ministry of Agriculture, Warsaw 2012

⁴⁹ *Warunki powstawania i działania oraz perspektyw rozwojowych polskich przedsiębiorstw powstałych w latach 2007-2011*, Central Statistical Office, Warsaw 2013, pp. 31-37

- Pomeranian) indicated no companies funded by the program *creation and development of micro-enterprises*. The table presents the scope of the project, the total cost thereof and the amount of funding under the EAFRD, as well as information about new job places created.

TABLE 6 Selected projects under the operation: *Micro-enterprise Creation and Development*⁵⁰.

Operation: Micro-enterprise Creation and Development					
No.	Project scope	Voivodship	Total project cost (amount of funding under EAFRD) [PLN]	Number of jobs created ⁵¹	
1	Purchase of equipment and reconstruction of the object: Crown of the Giant Mountains Manor (Dwór Korona Karkonoszy)- hotel and catering services	Silesian	685 929,93 (163 963,12)	"employment growth"	
2	Startup of a contactless self-service car wash	Kuyavian Pomeranian	- 424 013,39 (172 258,50)	2	
3	Purchase of automotive diagnostic equipment	Kuyavian Pomeranian	- 147 180,00 (55 192,50)	1	
4	Starting a new business - a beauty salon	Lublin	445694,00 (194 984,00)	"employment growth"	
5	Buying a new rig for horizontal directional drilling.	Lublin	699 323,00 (412 715,00)	"employment growth"	
6	-	Lubusz	-	-	
7	Buying new means of transportation and other devices for a bakery	Lodz	760 733,58 (208 690,50)	5	

⁵⁰ Based on information regarding projects included in the MARD publications

⁵¹ In some instances, the project characteristics would include specified number of new jobs, and in other cases it only contained information about the project contribution to employment growth in general.

8	Construction of a building for full time care home for the elderly.	Lesser Poland	639 524,64 555,27)	(379	"employment growth"
9	Reconstruction of a bakery into a rehabilitation clinics; purchase of equipment (physiotherapy-related services)	Lesser Poland	461 457,00 046,37)	(173	"employment growth"
10	Providing facilities for a nursery and creation of new jobs	Lesser Poland	163 412,00 638,00)	(60	"employment growth"
11	Purchase of modern machinery for stone processing	Mazovia	196 965,00 820,00)	(95	"employment growth"
12	Purchase of a backhoe loader - construction services	Mazovia	275 520,00 000,00)	(80	1
13	Creating a rental of modern equipment for tourism and water recreation.	Opole	168270,00 402,00)	(68	1
14	Purchase of equipment and introduction of new services - wellness complex in the Galician Guest Inn "Karino"	Subcarpathian	180938,82 753,00)	(73	1
15	Expansion of amusement park for children and youths	Subcarpathian	123 850,00 800,00)	(50	"employment growth"
16	Construction of tourist traffic-related facilities	Subcarpathian	689 325,00 159,37)	(210	3
17	Purchase of machinery and equipment – machining-related	Podlasie	514 977,34 706,00)	(140	"employment growth"
18	Increasing the competitiveness of businesses – machines for production of fancy yarns	Pomeranian	394 578,00 853,50)	(176	"employment growth"
19	–	Silesian	–	–	–
20	Providing more equipment for rehabilitation facilities	Switokrzyskie	243 044,00 338,00)	(97	"employment growth"
21	–	Warmia Mazury	– –	–	–
22	Purchase of equipment for veterinary surgery (prevention and treatment of horses diseases)	Greater Poland	488 000,00 000,00)	(200	"employment growth"

In general, the analysed projects, connected with the creation or development of micro-enterprises, concerned multiple services or improvement of the technical infrastructure in the businesses. The service they provided was mainly tourism-related (recreation and rest), trade, rehabilitation, cosmetic treatments, or the care of children and the elderly. Each project, as stipulated by the documentation, contributed to the growth of employment in companies, newly established or upgraded. Due to the lack of detailed data about the specific number of people employed, it is difficult to interpret which of the projects had the lion's share. Moreover, such analysis would not be entirely correct, because of the fact that the projects differed in terms of the area they dealt with.

As to the scope of the businesses that emerged, they were not significantly varying from one other. Noteworthy is the fact that, according to the authors, most of the projects were not innovative⁵². The majority of the services did not take on the non-standard approach. However, among the examples of interesting activities of the analysed projects one should mention the following: *Reconstruction of a bakery for surgical and rehabilitation purposes and purchase of equipment (physiotherapy-related services), construction of 24-7 care building for the elderly, the purchase of equipment and the introduction of a new service - wellness complex in Guest Inn "Karino"*. Certainly, these projects are an attractive offer for the villagers, but also for the people from the outside and are a very good example to prove the multi-functional development of the countryside is possible⁵³.

Summary and recommendation.

Young people constitute a group that can significantly affect the socio-economic development. In most cases, they possess a great social and educational potential, the correct utilization of which may bring positive changes in the local environment. Unfortunately, this group is also experiencing the biggest impact of the barriers in the development of their company. They were characterised in the article above. This is why all actions necessary must

⁵² Innovation see Peyroux C., *Proces innowacji i zarządzanie zasobami technologicznymi w endogenicznym rozwoju gospodarczym* [in] Jewtuchowicz A. (ed.), *Strategiczne problemy rozwoju regionów w procesie integracji europejskiej*, Lodz 2001, A. Nowakowska, *Budowanie zdolności innowacyjnych polskich regionów - wnioski i rekomendacje* [in] Nowakowska A. (ed.), *Zdolności innowacyjne polskich regionów*, Łódź 2009; Krzyminiewska G., *Bariery innowacyjności na obszarach wiejskich* [in] Sokołowska S., Bisaga A. (ed.), *Wieś i rolnictwo w procesie zmian. Szanse rozwojowe obszarów wiejskich w przestrzeni europejskiej*, Opole 2008

⁵³ Versatility see Wilkin, J., *Wielofunkcyjność rolnictwa i obszarów wiejskich* [in] Kłodziński M. (ed.), *Wyzwania przed obszarami wiejskimi i rolnictwem w perspektywie lat 2014-2020*, Warsaw 2008

be taken, to facilitate entrepreneurial actions among young people. Certainly the focus point should also be further assistance the youth in raising their EU funds for setting up your own business.

Special protection should be applied to these young people that live in the countryside, due to the marginalisation of these areas and the problems they face. Having studied the reports on the entrepreneurship of the rural youth⁵⁴, the authors think that not enough research was carried out on this subject. Therefore, they recommend conducting further and very detailed study focusing mostly on the personality traits prevailing among young entrepreneurs of the rural areas, the conditions of their business activity, their inspirations and companies already set up, as well as regarding the level of innovation of the projects. At the same time, it would be worth analysing the amount of European funds granted to rural areas and what percentage of these was used by the young.

The authors are of the opinion that the results of such extensive study would be the basis to compile instruments that might provide support for the youth and favour their entrepreneurship.

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⁵⁴ A. Giza, Strzemińska A., Wiśnicka M. *Młodzi na Wsi*, Research Report, Laboratory of Social Innovation and Research "Shipyard", Warsaw 2011; *Bariery instytucjonalne w rozwoju przedsiębiorczości na obszarach wiejskich*, Development Initiatives Forum; Kołomyjska I., Mażewska M., (ed.) *Sytuacja ludzi młodych na rynku pracy na obszarach wiejskich* Foundation for the Development of Polish Agriculture, 2007

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