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RURAL DEVELOPMENT POLICY INCENTIVES ENCOURAGING ENTREPRENEURSHIP IN SELECTED EU COUNTRIES

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Abstract. The importance of entrepreneurship for the growth of the economy brings little of doubts; however, the majority of all studies until now focuses on country's or region's entrepreneurship and entrepreneurial policy rather than on specific industry's entrepreneurship policy. The same applies to rural economy and development policy and there is the lack of comparative studies on rural policies aimed at supporting entrepreneurship in rural areas. In order to fill this gap, the comparative analysis of Rural Development Programmes 2014-2020 in selected EU countries is envisaged in order to answer the question how rural entrepreneurial policies in high income and low income EU countries differ. Thus, the object of the research is rural entrepreneurship policy in selected EU countries. The main goal of the research is to carry a comparative analysis of rural entrepreneurship policy measures in selected EU countries and to draw the links between income level in countries and implemented rural development policy in these countries. The results of the analysis reveal that in high-income EU countries entrepreneurship policy is targeted and aimed at addressing knowledge and cooperation issues, while in lower income EU countries emphasis is still put on financial assistance. The validity of results is limited because other factors of entrepreneurship environment, the effects of entrepreneur personality and potential synergies among these factors were left out of the scope of the analysis.

Key words: entrepreneurship, rural development policy, EU.

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Introduction

The importance of entrepreneurship for the growth of the economy and the environment encouraging it are at the centre of scientific and policy debate focussing on the economic growth driven by knowledge and innovation (Shriff M. and Muffatto M., 2014; Gnyawali D. and Fogel D., 1994; Ciobotaru A.-C., 2014; Murdok K., 2012; Morris M. and al., 2015; Xheneti M. and Smallbone D., 2006; Dennis Jr. W., 2011; Kreft S. F. and Sobel R. S., 2005; Bradley A. W. and Klein P., 2016; Lathi A., 2010) in the today's world facing global integration, international competition among economies, businesses and entrepreneurs. The entrepreneurship here can be perceived as a continuous process of discovery (Ciobotaru A.-C., 2014) launched by an entrepreneur while organizing resources in innovative manner, i.e. launching a new venture, and doing so in a specific, from institutional perspective, socio-economic context (Xheneti M. and Smallbone D., 2008). Whether entrepreneurship is productive or unproductive depends on the incentives created by institutional environment (Baumol W. J., 1996; Bradley S. W. and Klein P., 2016). Leaving behind issues of personality (even if the Generation Y, joining the labour market, is driven by career-personal balance values that little coincide with the high-growth venture development) (Claire, L., 2012) of the entrepreneur and social (especially, cultural context) environment apart, the focus of that study is on public policy as one environmental element in support for entrepreneurship.

It is argued by scientists that entrepreneurship can be encouraged by supportive public policy (Gnyawali D. and Fogel D., 1994; Murdock K., 2012). Public policies can be designed and aimed at addressing any of entrepreneurship encouraging environment elements such as government policies and procedures, socioeconomic conditions, entrepreneurial and business skills, financial and non-financial assistance measures, i.e. five environmental dimensions as identified by D. Gnyawali and D. Fogel (1994). According to the integrative model of entrepreneurial environments, developed by the same authors, government policies and procedures create opportunities for entrepreneurship. The ability of enterprise is dependent upon entrepreneurial and

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business skills of entrepreneurs; however, socio-economic factors influence propensity of enterprise and together with ability of enterprise encourage like a hood of an enterprise (Table 1). Finally, existing financial and non-financial support can become the final determinants for a new venture creation.

Table 1

Dimensions of entrepreneurial environments

Five dimensions
Government policies and procedures Restrictions on imports and exports Provisions on bankruptcy lows Entry barriers Procedural requirements for registration and licensing Number of institutions for entrepreneurs to report to Rules and regulations governing entrepreneurial activities Laws and regulations governing entrepreneurial activities Laws to protect proprietary rights
Socioeconomic conditions Public attitude towards entrepreneurship Presence of experienced entrepreneurs Successful role models Existence of persons with entrepreneurial characteristics Recognition of exemplary entrepreneurial performance Proportion of small firms in the population of firms Diversity of economic growth Health and mobility of human capital Right mix of risk and rewards
Entrepreneurial and business management skills Technical and vocational education Business management education Entrepreneurial training programmes Technical and vocational training programmes Availability of information while bridging information gaps
Financial assistance Venture capital Alternative source of financing Low-cost loans Willingness of financial institutions to finance small entrepreneurs Credit guarantee programme for start-up enterprises Competition among financial institutions
Non-financial assistance Counselling and support services Entrepreneurial networks Incubator facilities Governmental procurement programmes for small business Government support for research and development lowering its risk Tax incentives and exemptions Local and international information networks Modern transport and communication facilities

Source: adopted D. Gnyawali D. and D. Fogel D. (1994); M. Sheriff and M. Muffatto (2014) and A. G. De Oliveira and M. C. De Oliveira Lopes Melo (2014)

Each public policy shall be designed in response to its target groups, target problems and its context, i.e. a country or a region. The opportunities of enterprise can be encouraged by more liberal governmental policies (Kreft S. F. and Sobel R. S., 2005), propensity of enterprise – by more societal awareness and integration of entrepreneurial values into formal education, ability of enterprise – by vocational training, and like a hood of enterprise – by developing propensity and abilities of enterprises while providing financial and non-financial support for the creation of new ventures (Gnyawali D. and Fogel D., 1994). Entrepreneurship policy is primarily focussed on individuals and groups of individuals dealing with the establishment of ventures, while the small and medium size business policy is primarily focussed on established firms (Sheriff M. and Muffatto M., 2014); however, more often entrepreneurship policy is covered by small and medium size policy in general (Dennis W., 2011; Xheneti M. and Smallbone D., 2008). Entrepreneurship policy should encourage productive entrepreneurship, and the rest shall be done but the market (Preuss L., 2011), i.e. it should not eliminate market incentives and should not aspire to no struggle (Holz-Eakin D., 2000).

While lower income countries should focus on the increase of human capital, availability of technology and promotion of venturing in order to increase positive perception of entrepreneurship, higher income countries should be dealing not so much with loosening of regulation, but more with labour market reform and financial market deregulation (Acs, Z. J. and Szerb L., 2007). According to the study of Z. J. Acs, S. Desai and J. Hessel (2008), countries being in the innovation-driven economic development stage, should focus on entrepreneurship education and training, outwards foreign direct investments, international trade and supporting role models, while countries in factor-driven stage should

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focus on transition to efficiency-driven stage by developing sTable institutional and macro-economic environment and increasing entrepreneurial capacity, i.e. knowledge spill overs (Audretsch D. and Keilbach M., 2004). The authors of the comparative study on impediments for entrepreneurship policy in managed and entrepreneurial economies (Murdock K., 2012) revealed that there is an important positive relationship between business regulation and entry rate of new firms in entrepreneurial and managed economies. Investments into R&D by higher education are important for entrepreneurial economies and relatively unimportant in managed economies. It is of little importance how entrepreneurial policy is developed (locally, regionally or nationally). Finally, even if availability of venture capital is crucial for the development of entrepreneurship, its impact on entry rate of new firms is limited in both types of economies. The same was identified by S. F. Kreft and R. S. Sobel (2005), as their implemented empirical research results revealed that entrepreneurship causes the inflow of venture capital, and entrepreneurship policy should focus on attracting entrepreneurs and not to attract venture capital.

By designing the entrepreneurship policy, it is important to understand the target group and to make the difference among types of ventures (Morris M. et al., 2015): survival ventures providing basic subsistence for the entrepreneur; lifestyle ventures providing rather sTable income based on business model; managed growth ventures seeking for sTable business growth; and aggressive/high-growth ventures, named gazelles, going for technology driven innovations and funded by equity capital. S. Shane (2009) and C. Mason and R. Brown (2013) argue that entrepreneurship policy should focus on high-growth ventures and do not encourage other ventures as they are less productive than existing firms. The differing needs of these target groups should be on the focus while designing entrepreneurship policy, having in mind that high-growth ventures are the main source of economic growth.

Majority of all studies untill now focus on country's or region's entrepreneurship and entrepreneurial policy rather than on specific industry entrepreneurship policy. The same applies to rural development policy, and there is lack of comparative studies on rural policies aimed at supporting entrepreneurship in rural areas, i.e. area with its own contextual factors. In order to fill this gap, the comparative analysis of Rural Development Programmes 2014-2020 in selected EU countries is envisaged in order to answer the question how rural entrepreneurial policy differs in high income and low income EU countries. Thus, the object of the research is rural entrepreneurship policy in selected EU countries. The main goal of the research is to carry a comparative analysis of rural entrepreneurship policy measures in selected EU countries and to draw the links between income level in the countries and implemented rural development policy in these countries. The tasks of the research are: to identify entrepreneurship encouraging rural development measures under Rural Development Programmes 2014-2020 in selected EU countries, to make their comparative analysis with the link to income level in these countries, and to draw conclusions on the potential dependencies between the entrepreneurship encouraging measures applied and income level in selected EU countries. Sixteen Rural Development Programmes 2014-2020 were analysed using for the analysis the theoretical framework of dimensions of entrepreneurial environment presented in Table 1.

Research results and discussion

The sixteen EU countries' Rural Development Programmes 2014-2020 (European Parliament, 2013) were compared and among them programmes of Austria, Bulgaria, the Czech Republic, Estonia, Finland, Hungary, Ireland,

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Latvia, Lithuania, Poland, Portugal, Romania, Sweden, Slovakia, Slovenia, and the United Kingdom. The policy measures planned in Rural Development Programmes 2014-2020 were analysed using the theoretical framework presented in Table 1 with the focus on the type and target of measures. Among all rural development policy measures, only those targeting entrepreneurship, i.e. new venture creation (in agriculture, forestry and other industries in rural areas) were analysed and compared. It must be noticed that many other rural development measures, not directly or specifically, also could have impact on entrepreneurship; however, they are not taken into account as not specifically targeted.

Table 2

Population and GDP in rural areas in selected EU countries

Country	Population in predominantly rural areas in 2010, %	Economically active rural population in 2010	GDP per capita in 2013, EUR (current prices)	GDP relative to EU 28 level
EU 28			26700	
SE	16.3	680700	45400	1.70
IE	72.4	1371100	39200	1.47
AT	44.6	1653600	38000	1.42
FIN	40.9	902700	37400	1.40
UK	2.9	689800	32000	1.20
SL	43.8	409000	17400	0.65
PT	34.1	1750800	16300	0.61
CZ	33	1586500	15400	0.58
EE	48.1	280300	14300	0.54
SK	50.4	1252000	13700	0.51
LT	42.3	596900	11800	0.44
LV	37.2	364700	11300	0.42
HU	46.7	1806000	10300	0.39
PL	33.4	5328600	10300	0.39
RO	45.6	3934700	7200	0.27
BG	37.7	1128200	5800	0.22

Source: Eurostat (2011) for population in predominantly rural areas; Eurostat (2010) for economically active rural population; Eurostat data on GDP per capita in 2013; author's calculations based on Eurostat data on GDP per capita in 2013

The economic and social profiles of the countries under analysis are drawn by comparing the data on their share of population in predominantly rural areas (Eurostat, 2011), economically active rural population (Eurostat, 2010) that is the potential target group for entrepreneurship policy and GDP per capita (Eurostat, 2013), and calculating relative differences in GDP per capita in the countries (GDP per capita in a specific country divided by the average GDP per capita in EU 28; Table 2).

The results of the first stage in comparative analysis reveal that in selected group of countries only five could be categorized as high income countries and these are Sweden, Ireland, Austria, Finland and the United Kingdom. In all these countries, GDP per capita is higher than the average in EU 28. The lowest GDP per capita is identified in Bulgaria and Romania where it accounts for less than one fourth of the average GDP per capita in EU 28. There are no direct links observed between the GDP per capita and the importance of rural population in a country.

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Countries with high-income level and those with the low one have rather dispersed share of rural population. Poland, Romania are two countries with overall biggest economically active rural populations among the countries under analysis. Economically important rural populations live also in Ireland, Austria, Portugal, the Czech Republic, Slovakia, Hungary, and Bulgaria.

Table 3

Rural development funds and rural development funds dedicated to support entrepreneurship

Country	Total RD 2014-2020, EUR	Total RD for SMEs, EUR	Share of RD for SMEs, %	RD per capita, EUR	RD per capita relative to average RD per capita	RD for SMEs per capita, EUR	RD for SMEs per capita relative to average RD for SMEs per capita
AT	7811596314	210008250	2.69	4724	0.84	127	0.48
BG	2917848203	228809976	7.84	2586	0.46	203	0.76
CZ	3074231995	107612874	3.50	1938	0.34	68	0.25
EE	9928000000	109200000	1.10	35419	6.27	390	1.46
FIN	8265331757	525000000	6.35	9156	1.62	582	2.18
HU	4170628157	538865450	12.92	2309	0.41	298	1.12
IE	3909500630	122250000	3.13	2851	0.50	89	0.33
LT	1977771625	166806297	8.43	3313	0.59	279	1.05
LV	1531595207	171068124	11.17	4200	0.74	469	1.76
PL	13513295000	1131937712	8.38	2536	0.45	212	0.80
PT	4173398703	206595239	4.95	2384	0.42	118	0.44
RO	9472648512	1111497643	11.73	2407	0.43	282	1.06
SE	4300321096	145973734	3.39	6317	1.12	214	0.80
SK	2079595130	134980000	6.49	1661	0.29	108	0.40
SL	1107279334	166900938	15.07	2707	0.48	408	1.53
UK	4055698788	292285856	7.21	5880	1.04	424	1.59

Source: The European Commission (2016) for total RD and RD for SMEs budget data, author's calculations based on the European Commission (2016) data and data in Table 1

According to the allocated support for the overall rural development (Table 3; total rural development funding– total RD), funding for entrepreneurship countries under the analysis can be grouped into three main groups: those assigning 0-4.99 % of their total RD funding to support entrepreneurship; those allocating 5.00-9.99 % of funding, and those allocating >10 % of their funding. The biggest share of Rural Development Programme 2014-2020 funding for new venture creation (in form of small and medium enterprises – SMEs) will be allocated in Slovenia, Hungary, Romania, and Latvia. The lowest share of total RD funding allocated for entrepreneurship is identified in Austria, the Czech Republic, Estonia, Ireland, Portugal, and Sweden. The rest of the countries compose the second group of countries with moderate share of funding allocated for entrepreneurship. However, even if total RD funding and RD funding for entrepreneurship are rather limited in certain countries their relative importance differs when total RD funding and rural development funding for entrepreneurship per capita (of economically active rural inhabitant) is calculated. The selected countries under analysis can be grouped into two groups: those with or above average of RD and RD for entrepreneurship per capita and those with lower levels of funding per capita. Estonia, Finland, Sweden, and the United Kingdom are the countries with higher than average RD funding per capita, the rest of the countries – with lower than average RD funding per capita. However, Estonia, Finland, Hungary, Latvia, Lithuania,

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Romania, Slovakia, and the United Kingdom are those countries that invest the most into one economically active inhabitants of rural areas in their countries as the RD for entrepreneurship per capita is higher than average among these countries.

The Rural Development Programme's 2014-2010 measures, relative to entrepreneurship and its support, were grouped into three groups using the theoretical framework of dimensions of entrepreneurial environments presented in Table 1: first group – measures addressing entrepreneurship and business management skills; second group – addressing non-financial assistance; and third group – providing financial assistance (Table 4). The relative share of particular measure in the frame of RD funding for entrepreneurship is calculated and analysed among countries under analysis and presented. There are three countries putting emphasis on relative importance of investments into knowledge - Sweden, Austria and Finland. The rest of the countries are moderately investing in their rural entrepreneurial and business management skills. Sweden is a country with the highest relative importance of advisory measure to support entrepreneurship, while in other countries it is of rather marginal importance. Relatively, high importance of entrepreneurship supporting measure is given to cooperation in Sweden, Austria, and Finland, which is relatively modest in other countries. Leader measure is undertaken only in the United Kingdom and it accounts for almost 60.0 % of the total RD funding for entrepreneurship.

Table 4

Rural development measures to support entrepreneurship

Country	Entrepre-neurship and business manage-ment skills, %	Non-financial assistance, %				Financial assistance, %	
	Knowledge	Advisory	Cooperation	Leader	Basic services	Start-up aid	Investments
SE	11.97	8.00	20.25	0.00	0.00	55.71	4.07
AT	10.28	2.49	18.98	0.00	0.00	68.25	0.00
FIN	9.71	0.00	13.71	0.00	0.00	76.57	0.00
LT	2.24	0.84	0.00	0.00	0.00	96.92	0.00
SK	2.04	0.24	2.22	0.00	0.00	82.17	13.34
HU	1.30	0.47	2.55	0.00	0.00	52.39	43.29
BG	0.87	0.59	0.00	0.00	0.00	89.36	9.18
EE	0.64	2.20	0.00	0.00	0.00	81.59	15.57
RO	0.57	3.19	0.00	0.00	0.00	66.34	29.89
SL	0.37	0.00	1.14	0.00	0.00	75.10	23.38
CZ	0.05	0.00	0.00	0.00	0.00	99.95	0.00
IE	0.00	0.00	1.84	0.00	0.00	0.00	98.16
LV	0.00	0.00	0.00	0.00	74.03	25.97	0.00
PL	0.00	0.00	0.00	0.00	0.00	100.00	0.00
PT	0.00	1.24	0.00	0.00	0.00	98.76	0.00
UK	0.00	0.21	4.28	59.37	0.00	36.14	0.00

Source: author's calculations based on the European Commission (2016) data

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Basic services as a measure to support entrepreneurship are foreseen only in Latvia and they account for more than 74.0 % of the total RD funding for entrepreneurship. There are two types of financial assistance measures to support entrepreneurship in rural areas, i.e. start-up aid and investment aid, and they account for majority of total RD funding for entrepreneurship in almost all countries under analysis. Start-up aid is relatively modest in Latvia and the United Kingdom, and even non-existent in Ireland. The rest of the countries support the start-up creation where Poland allocates even 100.0 %of its total RD funding for entrepreneurship. Investments into new ventures are supported and can be financed using RD funding in Sweden, Slovakia, Hungary, Bulgaria, Estonia, Romania, Slovenia, and Ireland.

Conclusions, proposals, recommendations

1) The importance of entrepreneurship for the growth of the economy brings little of doubts; however, the majority of all studies till now focuses on country's or region's entrepreneurship and entrepreneurial policy rather than on specific industry entrepreneurship policy. The same applies to rural economy and development policy and there is lack of comparative studies on rural policies aimed at supporting entrepreneurship in rural areas.
2) The comparative analysis revealed that rural development policies in selected EU countries doe not target specifically high-growth ventures and provide support for any kind ventures, i.e. no important growth of rural economy could be expected as being driven by rural entrepreneurship policy in these countries.
3) The results of the analysis reveal that in high-income EU countries entrepreneurship policy is targeted and aimed at addressing knowledge and cooperation issues, while in lower income EU countries emphasis is still put on financial assistance.
4) The entrepreneurship policy design is subject to the stage of economic development in a specific country. It would focus knowledge and non-financial assistance on developed economies, innovation-driven economies, while it would focus on financial assistance, where normally there is a lack for venture capital in less developed, efficiency or factor driven economies.
5) The theoretically discussed importance of knowledge (as entrepreneurship and business management skills addressing measure) and public policy encouraging were not fully reflected by the results of the research. The validity of the results is limited because other factors of entrepreneurship environment, the effects of entrepreneur personality and potential synergies among these factors were left out of the scope of the analysis.

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