

Are there any differences in rural development challenges within European countries? Social and economic contexts from EU rural leaders

RESEARCH ARTICLE

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Abstract

Rural development has become a significant policy challenge in Europe. More employment opportunities have increasingly been concentrated in urban areas, leaving rural regions with ever-continuing down-fall in terms of population size and economic growth. In this context, rural entrepreneurship activity that positively influences rural communities is embedded in broader social or structural policies at the European level. The aim of the article is to investigate societal and economic challenges and their innovative solutions in five European rural regions: Croatia (Slovenia), Germany (Münsterland, Saxony-Anhalt), Poland (Małopolska), and Portugal (Alto Minho). This study follows a multi-case method which investigates the diversity of challenges and solutions in selected European rural areas. The comparative analysis reveals that most essential activities aimed at alleviating the development problems of rural areas include education of local communities, improvement of economic and digital infrastructure, activities supporting production and promotion of local products, promotion of cooperation between local communities and producers, and stronger orientation of local policy towards financial support of production enterprises and farms. The conclusions resulting from the study lead to formulating recommendations concerning rural policies in the context of developing entrepreneurship strategies in rural areas.

Keywords: economics, entrepreneurship, rural development, social innovations

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1. Introduction

Sustainable economic growth, employment opportunities, decent workplaces and the general well-being of European countries are still diversified despite many years of efforts to harmonise and minimise disparities. The most common challenge of rural areas is related to depopulation, particularly the migration of young adults to urban areas. However, there are many exceptions of rural communities that survive external challenges and develop in a growing pattern. It seems that rural residents, with their entrepreneurial attitude, knowledge, capability, willingness and resolutions have successfully developed new economic activities to respond to potential (urban) market demand. These communities often go through a social management transformation from individual to a more collective-based system. In this process, communication and dialogue among individuals are improved, and collaboration between different stakeholders also becomes more intense. Therefore, the social capital of rural regions becomes a significant issue. Rural residents are willing to establish and maintain effective interactions with the external environment and regional stakeholders who provide access to financial and political capital that can have beneficial development outcomes (Li *et al.*, 2019) and serve as the possible solution to overcome challenges in their communities.

In this context, policymakers at the regional, national and European level have been working towards improving a business climate with a view to reducing disparities between rural and urban development opportunities. The European Cohesion Fund, the European Regional Development Fund, and the European Social Fund are examples of such rural development policies and programmes initiated by the European Union to tackle rural development challenges at the national and regional level (Van der Ploeg *et al.*, 2017). Still, there is a general lack of rural strategies focused on entrepreneurship, particularly in ageing and depopulated rural areas.

A traditional activity undertaken in rural areas is the production of agricultural goods for the purpose of direct consumption or for the needs of the agriculture and food industries. This activity remains a significant function performed by rural areas, and it is indispensable to maintaining food security. However, as a result of social and economic changes, rural areas are no longer associated exclusively with agriculture and the food sector. Presently, rural areas perform a number of non-agricultural functions, allowing their residents to seek employment in more lucrative economic sectors. Empirical studies show that the diversification of economic activities increases household incomes (Gautam and Andersen, 2016; Hoang *et al.*, 2014). Some development economists have still argued that agriculture is the key to rural development (Irwin *et al.*, 2010), others have argued that it is only by industrialising rural areas that growth can ultimately be achieved, which could also be compared to rural urbanisation as generally referred to the transformation of a rural area into an urban one (Liu *et al.*, 2010). Other modern rural development initiatives include landscape management, the conservation of new nature values, agritourism, organic farming, and high quality and region-specific products. Other activities, increasingly adopted by family farms, include innovative forms of cost-reduction, direct marketing, and new activities such as integrating care activities into the farm. Involvement in this type of undertakings results in new forms of social cohesion, and, in many cases, a variety of activities are combined in an integrated way (Van der Ploeg *et al.*, 2017).

Yet, the most successful development strategy is the one that creatively benefits from synergies between regional stakeholders by developing a strong business ecosystem and enhancing rural entrepreneurial spirit (Berglund *et al.*, 2016). This underlines and refers to the idea of rural development embedded in entrepreneurship (Barrett, 2015; Fortunato, 2014; Markey *et al.*, 2010) through stakeholder engagement and life-long entrepreneurial learning (Brandt *et al.*, 2018; Hercz *et al.*, 2021; Leonidou *et al.*, 2020). Rural entrepreneurship can be defined as all forms of entrepreneurship which take place in areas characterised by large spaces and a small population in terms of national characteristics (Korsgaard *et al.*, 2015). Territorial issues have a lot of weight in defining rural entrepreneurship. However, the key role in the development of entrepreneurship in rural areas is played by synergies between various regional stakeholders such as higher education institutions, rural businesses, public authorities, rural residents, and rural entrepreneurs. The engagement and collaboration of these people and characteristics of their activities constitute the essence of the discussion on rural entrepreneurship. This is because regional stakeholders have the best understanding

of local social problems, and rural entrepreneurship is strongly rooted in the local social context. While nurturing rural entrepreneurship plays a vital role in reaching new horizons in sustainable economic growth and well-being (Muñoz and Kimmitt, 2019; Sá *et al.*, 2018), it is necessary to have a better understanding of how entrepreneurship can revitalise rural regions in the EU's perspective.

To address this gap, this study aims at investigating social and economic challenges and innovative solutions in five European rural regions: Croatia (Slovenia), Germany (Münsterland, Saxony-Anhalt), Poland (Małopolska), and Portugal (Alto Minho). This will allow for a better understanding of rural development possibilities as well as the establishment of public policies and recommendations to stimulate this development. Specifically, this study addresses the following issues:

- What challenges can be identified in rural regions in Croatia, Germany, Poland, and Portugal?
- What are the similarities and differences between European regions?
- What are possibilities for bridging existing development gaps in rural areas?

This study follows a multi-case method (Yin, 2009) which investigates the diversity of challenges and solutions in selected European rural areas. One focus group was organised in each region to identify and discuss specific challenges and solutions. Approximately 20 representatives from higher education institutions, rural businesses, public authorities, and rural residents were included in each focus group. As a result, it was possible to obtain information from individuals who have the best knowledge on the economic and social challenges of rural areas and who are genuinely interested in developing best practices aimed to meet them.

This paper offers important contributions to arousing academic and practical interest in rural entrepreneurship by identifying similarities and differences in challenges and solutions of European rural areas. The paper is organised as follows: its introductory part presents a theoretical contextualisation of the rural challenges and development directions. Then, it presents the adopted methods aimed to conduct the study. The next step is the presentation and discussion of the results. Finally, it presents conclusions and suggestions for future research.

2. Literature review

Being a topic undertaken in literatures since the early 1980s, rural development is still a major concern of all EU countries. Rural regions face major challenges – emigration of young people to urban areas, population with lower levels of formal education, older age structure and limited access to financial capital (Deller *et al.*, 2019), rapid decline in employment, dominant agricultural sector, poor socio-economic environment, and distance to market and services (OECD, 2006). In this context, rural entrepreneurs face different challenges. Dabson (2001) emphasised that many rural communities are remote and geographically distant from major business networks, leading rural entrepreneurs to create deep social capital (Wilkinson, 1991). Local demand is limited in rural areas with limited population and density; therefore, it is extremely difficult for rural entrepreneurs to achieve economies of scale. Since the local economy is dominated by one industry or agriculture, sector-specific risks are higher (Goetz, 2006). Rural communities, due to their remoteness, often have limited financial opportunities, which are critical for start-up survival, but also limited access to human resources and institutional support mechanisms for small and medium enterprises (SMEs). Innovation blends with traditional values and norms (Lichtenstein and Lyons, 1996). Artz (2003) stresses that brain drain is a major problem for rural areas as young and well educated people tend to seek better-paid employment in urban areas. This creates a power asymmetry where local workers feel ‘economically disadvantaged’ and helpless about their own careers (Fortunato, 2014: 393). Entrepreneurs in rural areas are mainly involved in the service, retail and construction sectors (Henderson, 2002). They are also found in agriculture and extractive industries. Since rural areas have fewer high-growth businesses and rural incomes are 31% lower compared to urban areas (Henderson, 2002), the need for supporting activities and policies seems to be a must. Also, there is a strong and deepening difference between urban and rural growth.

Earlier policies and strategies that focused on attracting investment from urban areas were unsuccessful in addressing these challenges. In the 1960s, the policies directed investment to the rural areas to organise

production, ensuring food supply in EU countries. Investments were mainly used for opening new enterprises, relocating businesses and improving the infrastructure. However, the expected increase in business and reinvestment of profits in agriculture were not always implemented. The recession in the 1970s led to the closure of many enterprises. In the early 1980s, this model of rural development could not yield the expected results in economic terms. However, at that time the successful economic development of such areas as Tuscany and Emilia-Romagna attracted public attention because a high concentration of specialised small and medium enterprises was not affected by the industrial crisis (Patarchanova, 2012). Firms have abandoned models based on economies of scale and vertical integration and increasingly opt for more flexible patterns of organisation (Van der Ploeg *et al.*, 2017). Through their flexibility, in terms of quality and quantity of supply, SMEs are better suited to trade in dynamic and volatile markets than large firms. Due to their experience, the rural development model was shifted to promote local businesses, increase local capacity, local initiatives, and economic diversification. This new model assumes that local development is created primarily by local impulses, based on the greater degree of local resources (Patarchanova, 2012).

Many studies have concluded that a more comprehensive analytical concept for rural development is required. Many policy objectives for rural regions are still oriented towards classical 'growth' objectives; however, a much wider application of new perspectives and a more targeted answer to societal challenges is suggested (Dax and Fischer, 2018). The specific character of rural areas within the EU is determined by their social and cultural identity. Every rural area has a unique geographical location, natural resources, history, ethnic composition of the population, religion and traditions, urban network and economic potential. They feature a distinctive way of life, closer relationships between people, direct contact with nature, which is a symbol of a healthy living environment. Understanding their nature includes views on multifunctional agriculture, economic diversification of the farm for environmental protection, landscape conservation and preservation of their cultural heritage as well as customs and traditions (Patarchanova, 2012). Sustainability, ecological modernisation, public goods, multifunctionality, rural restructuring, networks and globalisation, endogeneity and circular economy are important aspects of the challenges in rural development policies. Consequently, it is more important to propose alternative guidelines for future options of rural strategies: well-being of the regional population, potential of migrants, newcomers and returning people, significant changes in the role of spaces (e.g. towards living space and regions for leisure experience), a renewed identity implying the creative use of social innovation changes and, in general, the capacity to innovate for regions, leading to increased regional attractiveness (Dax and Fischer, 2018).

Researchers, as well as policymakers, shifted their focus to rural entrepreneurship (Drabenstott and Henderson, 2006). Rural entrepreneurship can be defined as all forms of entrepreneurial activities in rural areas – local enterprises that employ local people, use and provide local services, and generate income in rural areas (Korsgaard *et al.*, 2015; Pato and Teixeira, 2016). The interest in this area increased due to changes and crises in rural society (Wortman, 1990), which raised awareness of this issue. It was found that entrepreneurship can raise the level of employment in rural areas, but also secure welfare (Chun and Watanabe, 2012). Besides that, Van der Ploeg *et al.* (2000) found out that entrepreneurship started all development activities in rural areas. Nevertheless, rural entrepreneurship theory is still in its infancy (Fuller-Love *et al.* 2006; Kulawczuk, 1998; Pato and Teixeira, 2016; Vaillant and Lafuente, 2007), without a proper research agenda. The empirical literature on rural entrepreneurship mainly refers to developed countries such as the United States, Spain, Finland and Greece (Pato and Teixeira, 2016), neglecting the situation in less developed countries, especially underdeveloped ones. Rural enterprises need to extract new values from traditional resources, but also combine them with local specificities (Anderson, 2000). Rural entrepreneurship may be significantly different from entrepreneurship in urban areas, but there is little consensus on this (Fortunato, 2014). Creating innovative regions has never been on the agenda of rural entrepreneurs. Their goal is simply to improve the quality of place and life (Korsgaard *et al.*, 2015).

Recently, literatures have associated entrepreneurship with immigrant businesses (Fortunato, 2014). According to research conducted in the United States, immigrants have revitalised rural areas through their ventures. Immigrants are 30% more likely to start a business than non-immigrants (Fortunato, 2014). The results of

this study are particularly important for all European countries facing the largest flows of migrants. Another important finding is that rural entrepreneurs earn significantly more than urban workers (Yu and Artz, 2019), but also that individuals who choose rural residency are more likely to become entrepreneurs. Rural entrepreneurship stimulates the local economy by creating jobs, providing various products and services, but also by increasing the quality of life in rural areas (Yu and Artz, 2019).

The need for citizens who contribute to service delivery is in rural areas more urgent than in metropolitan areas because of changes such as (expected) depopulation, ageing, digital exclusion, school closures, unemployment, under-employment, high mobility costs and changing consumption demands. Therefore, the knowledge of the contributions of community-led development, social entrepreneurship and citizens' initiatives to service delivery is important (Haan *et al.*, 2019). Moreover, being rural does not cause poverty, but it has the effect of exacerbating the related conditions that increase vulnerability and limits opportunities to escape poverty. A distance from markets and limited resources creates disadvantages whilst relative isolation and dispersed populations may also lead to neglecting problems caused by social and economic distance. Therefore, rural areas seem to be an appropriate context for social enterprise because entrepreneurial solutions offer opportunities to create positive changes (Andersen and Lent, 2019). A study of two Scottish rural areas shows (Steiner and Teasdale, 2019) that social enterprise could represent a way to face the local challenges of sustainable economic development, suggesting the withdrawal of public services and promoting community cohesion. The authors explain that social enterprises can create locally responsive services, but it may be necessary to go beyond traditional policy options that separately address economic development, community cohesion and public services, as national policies do not always translate into practice at the national rural level. Collaboration between groups of social enterprises and between social enterprises and public authorities can lead to economies of scale, particularly where strong trust-based relations are built up.

Some studies have shown that particularly in rural areas citizens' initiatives have the potential to replace pressurised services and foster the resilience and empowerment of these rural communities (Haan *et al.*, 2019). However, despite all the shortcomings of rural areas, lifestyle entrepreneurs, internet nomads and social entrepreneurs have discovered rural areas as ideal places for their ventures. Their main goal is to combine the desire to pursue their own desires and ideas with the quality of life. This shift from traditional industries to services has been good for rural areas (Acs and Armington, 2006). Many rural entrepreneurs are less concerned with profit than with pursuing their own ideas, desires, or goals (personal, social, or cultural). They are willing to compromise on the financial development of their business in order to achieve their goals (Achtenhagen *et al.*, 2010). They will maximise locally available resources and create new value from traditional resources by combining the characteristics and uniqueness of place in providing services or products (Anderson, 2000).

The involvement of all local stakeholders should not be neglected in rural development models. The stakeholder's role in the innovation processes is very significant (Fiore *et al.*, 2020) because the use of external knowledge makes innovation easier and faster for firms despite their size and industry environment (Giacomarra *et al.*, 2019). Therefore, both internal and external stakeholder relationships should be managed in order to attract and share knowledge, to achieve both social responsibility goals and sustainable innovation outcomes (Giacomarra *et al.*, 2019). In a rural development context, empirical studies highlighted that cooperation and organisation between stakeholders created new chances for smart social innovations. Moreover, in farming all the stakeholders (farmers, processors, transporters, distributors, retailers, consumers, officials, and policymakers) are crucial in handling food-safety risks (Fiore *et al.*, 2020). The diversity of knowledge and values of the rural community must be taken into consideration, and it is necessary to ensure that there is stakeholder participation in decision-making processes and implementation. The involvement of stakeholders makes it possible to seek their views and identify how each of them can contribute to meeting the identified challenges. However, the implementation of rural development projects is inherently complex, partly due to the need to satisfy multiple stakeholders (Usadolo and Caldwell, 2016). Different stakeholders might differently perceive and evaluate the co-benefits of collaboration, and neglecting these differences may lead to conflict, and thus to policy resistance mechanisms (Giordano *et al.*, 2020). Henceforth, to be successful, a process in which stakeholders engage in collaboration and coordination for mutual benefit

should be initiated by the stakeholders themselves and supported by the public administration and other knowledge structures (Messely *et al.*, 2013).

3. Research methods

This study follows a multi-case method (Yin, 2009), which investigates the diversity of challenges and solutions in selected European rural areas.

The case study analysis is considered one of the most adopted qualitative methods in organisational (Eisenhardt, 1989) and organisation and management studies (DeMassis and Kotlar, 2014). As Yin states (1981), the empirical inquiry can be both single or multiple, which means drawing generalisable conclusions from patterns across contexts.

Conducting a comparative study of rural areas in a regional context is present in the literature (Štastná *et al.*, 2020), considering the importance of rural development prospects. It is significant to consider the development of rural areas because of the ongoing transformation, according to which not only the nature of these areas is changing from agricultural-economic to cultural-touristic (Soma *et al.*, 2021). The professional characteristics of the rural population are also subject to change to an increasing extent because their work is undertaken for the support of urban areas.

In order to achieve the objectives of this study, a comparative analysis of the selected regions was carried out in a first empirical phase from the perspective of basic characteristics such as population, area, population density, or access to the Internet and the level of unemployment. Conducting the analysis serves to obtain information on the level of comparability of selected socio-economic characteristics of the areas in question.

The analysis is based on the case of selected EU regions: Croatia (Slavonia), Germany (Münsterland, Saxony-Anhalt), Poland (Małopolska), and Portugal (Alto Minho) (Figure 1), where during the last two years observations have been conducted for the purpose of identifying developmental challenges.

The selection of the analysed areas is not accidental. It was our intention to choose areas from different EU regions. Also, the analysed entities are diversified in terms of their development level as well as their landscape and socioeconomic conditions. This diversity allows for answering the question whether the development problems and challenges of rural areas characterised by different locations and development problems are similar or not.

The observed similarities concerning development opportunities and barriers led to the decision to conduct an in-depth analysis of different European regions from the perspective of the specificity of rural development. The regions presented in Figure 1 are characterised below:

- Münsterland – a region located in the western part of Germany, corresponding to NUTS2 level in the Eurostat territorial unit statistics;
- Saxony-Anhalt – a region located in the eastern part of Germany, corresponding to the NUTS2 level in the Eurostat territorial units statistics;
- Małopolska – a region located in the southern part of Poland, corresponding to the NUTS2 level in the Eurostat territorial units statistics;
- Slavonia – a region situated in the northeast of Croatia, comprising five units corresponding to NUTS3 level in the Eurostat territorial units statistics (Viroviticko-podravska županija, Požeško-slavonska županija, Brodsko-posavska županija, Osječko-baranjska županija, Vukovarsko-srijemska županija);
- Alto Minho – a region located in the northwest of Portugal, comprising five units corresponding to the NUTS3 level in Eurostat's statistics of territorial units.

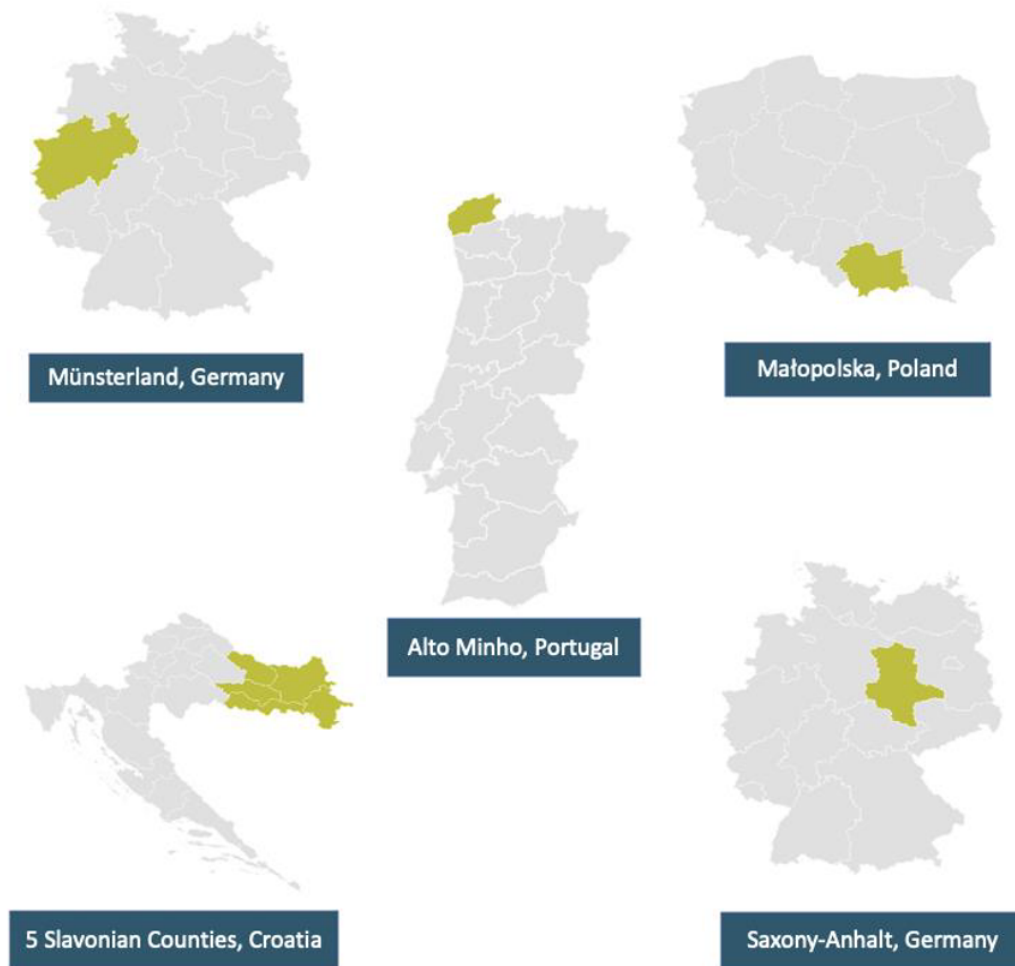


Figure 1. Graphical presentation of considered regions (www.ruralentrepreneurs.eu).

The regions above are analysed if they are diversified in terms of size and economic specificity and the level of socio-economic development. In turn, the preliminary comparative analysis provides a cross-sectional picture of the challenges faced by the local rural communities of the analysed regions.

The second empirical phase refers to the research material collected from the brainstorming of focus groups of experts, members of rural councils, whose task – during workshops held in selected EU countries – was to identify and discuss the challenges in the areas where they live and work.

Approximately 20 people were included in each of the five rural councils. In each of the regions, qualitative research was conducted in groups of experts using the focus group method. The experts met in a specially organised workshop, separately in each of the surveyed regions. The purpose of the discussion was to identify and discuss development problems and challenges in the rural areas where they live and work. During the focus group meetings proposals were also developed regarding recommendations for actions that would serve to mitigate the identified problems. The selection of experts was based on ensuring representation of science, business, public administration, but also NGOs and participation of social leaders. As a result of workshops with experts held over a similar period of time, which in some cases were preceded by a preliminary questionnaire survey, it was possible to identify those challenges for selected EU rural areas which, in the opinion of experts, are most important and which should be addressed as a priority in the implementation of the regional development strategy. As a result of the brainstorming in the selected regions, the cases were selected which, from the perspective of comparability, were adequate for analyses.

The second phase of the empirical part is based on a case study method. The method explores single objects and draws general conclusions for entire populations. It analyses one case in detail for the purpose of gaining a full understanding of this case. The selected case does not necessarily confirm universal phenomena. The authors aimed to answer the following research questions:

1. What rural development problems were identified in the analysed regions?
2. Are rural development problems similar or different in these regions?
3. What are the possibilities for bridging existing development gaps in rural areas?

Qualitative analysis methods were used to examine the case studies. The next stage of the second part of the empirical study presents a comparative analysis of the results obtained in the five examined regions of the European Union. It leads to drawing conclusions regarding the development problems of rural areas and the ways of overcoming them in various European regions. An attempt was made to find analogies and differences between them. The qualitative research was carried out from January to June 2020.

4. Results and discussion

4.1 The diversification of analysed regions in terms of socio-economic determinants

Among the analysed regions, Münsterland in Germany has the highest level of development. In 2019, gross domestic product (GDP) per capita was 33,270 EUR (Table 1). The region is very densely populated (379 persons per 1 km²), which proves its attractiveness for population settlement. It is characterised by a relatively low level of unemployment (unemployment rate was 4.5%). There is a relatively large number of medium and large enterprises, representing about 14% of all companies in the region. When it comes to tourism, the Münsterland region is architecturally characterised by many churches, monasteries and castles, some of which are still very well preserved. Due to a relatively flat terrain, especially in the northern and western parts, bicycles are a common means of transport. Mechanical engineering and agriculture are the most prominent sectors. For years, the R&D expenditure of companies in Münsterland has been lower than the national average. One reason for this is the medium-sized sector structure in which R&D activities are often owner-driven and not institutionalised in R&D departments of science, and research activities in the Münsterland region are initiated by the Westfälische Wilhelms-Universität Münsterland, the Münsterland University of Applied Sciences, and the Westfälische Hochschule. These three universities alone have more than 62,000 students. The propensity to start a company is lower in rural Münsterland than in densely populated regions. This is also due to the current labour market situation. In Münsterland, there were 3.9 start-ups per 1000 inhabitants aged between 18 and 64

Table 1. Variables describing socio-economic determinants in the analysed regions in 2019.

Region, country	Münsterland, Germany	Slavonia, Croatia	Alto Minho, Portugal	Malopolska, Poland	Saxony- Anhalt, Germany
Total area (km ²)	6,819	12,486	2,219	15,182	20,454
Population density (persons per 1 km ²)	379.2	56.7	104.1	221.3	107.9
GDP per capita at current market prices (euro) ¹	33,270	7,672	15,547	11,935	27,972
Unemployment rate (% of population in the labour force)	4.5	20.3	8.9	4.1	7.1
Share of small companies (% of enterprises)	85.9	98.3	99.9	99.3	97.0
Population with access to internet (% of the population)	82.0	18.7	85.2	93.2	88.0
Life expectancy (years)	78.2	78.2	80.2	79.2	79.5

¹ Data for 2018 (based on www.ruralentrepreneurs.eu).

years. Although there are very few start-ups in Münsterland, the probability of success is slightly higher than the country's average. In 2015, 41.6% of companies founded in 2010 were still active in the market.

Among the studied entities, the second German region – Saxony-Anhalt – also stands out positively. The value of GDP per capita achieved there was high and amounted to 27,972 EUR, although it is a much less populated area than Münsterland (107.9 persons per 1 km²). It is also somewhat disadvantaged in terms of employment, as evidenced by the relatively high unemployment rate (7.1%). Also, the region has fewer medium-sized and large companies, representing 3% of the total number of enterprises. In 2019, it was visited by 3.6 million tourists. Besides the Harz Mountains as the most important holiday destination, Saxony-Anhalt is the state with the highest density of UNESCO World Heritage sites in Germany. The chemical and plastics industry, plant engineering and construction, the food industry, automotive supplies, renewable energies and logistics are the most important economic sectors. Saxony-Anhalt is one of the most concentrated German research landscapes with Martin-Luther University in Halle, and the Otto von Guericke University of Magdeburg, four universities of applied sciences and numerous extra-university research institutions, including five research institutions in the Leibniz-Gemeinschaft, the Max Planck Institute, six Fraunhofer facilities, two facilities of the Helmholtz Gemeinschaft, and one facility of the Robert Koch Institute, closely cooperating with Saxony-Anhalt's enterprises on their way to leadership in innovation. The start-up scene is located in the cities of Magdeburg and Halle. With the Weinberg Campus, Halle has a large technology park. Start-ups in Magdeburg and other cities can also build on a modern infrastructure through resident (university-based) incubators. According to the Regional Innovation Scoreboard 2019, Saxony-Anhalt belongs to a group of 'strong innovators', and has held that position since 2008.

Compared to the two Germany sites, Alto Minho in Portugal is characterised by an average/mediocre level of development, taking into account the GDP per capita indicator – 15,547 EUR. However, it should be noted that it is the smallest of the analysed areas. Minho, on the other hand, stands out positively in terms of the longest life expectancy – 80.2 years. This indicator is an important determinant of the quality of life of residents. On the other hand, the labour market situation is unfavourable. The unemployment rate is relatively high at 8.9%. When it comes to tourism, almost 30% of its territory was classified as Natura 2000, and Alto Minho is the first NUT III in Portugal Continental that has its territory fully awarded by the European Charter of Sustainable Tourism, a certificate awarded by EUROPARC – the European Federation of National and Natural Parks. It has more classified national monuments than any other subregion in Northern Portugal, and 10 historical centres of excellence for visitors. It also integrates the main routes of St. James Portuguese Way. From the industrial development perspective, automotive components, metalworking and shipbuilding and repair have a considerable weight in the industry of Alto Minho. Apart from this renowned regional network of technology, innovation and research are present in the region. The Technology and Knowledge Transfer Office (OTIC) of the Polytechnic Institute of Viana do Castelo (IPVC) is a platform to support the development of a new culture of higher education aiming, on the one hand, at the economic valuation of research and its results and, on the other hand, the approximation of the IPVC to the business fabric. It is intended that this OTIC is a determining agent of business innovation in the region through the provision of high quality services geared to the need of companies. An institutional network, constituted by the Alto Minho CIM, IPVC, Alto Minho Business Confederation (CEVAL), Incubator of Innovative Business Initiatives (In.cubo), Integrated Rural Development Association of the Lima Valley (ADRIL) and Integrated Rural Development Association of the Minho Valley (ADRI MINHOS), aims to stimulate an integrated platform for mobilising resources, people, agents and ideas that promote the entrepreneurial spirit and culture in Alto Minho and contribute to the process of creating and implementing entrepreneurial initiatives in the region. IPVC is a school with the widest range of courses in the Alto Minho higher education network. In addition to professional higher technical courses (CTeSP), it offers higher education courses, including undergraduate, postgraduate and master's courses (in cooperation with various foreign and domestic universities) through its six colleges. With a school population around 4,250 students, 946 students graduated from IPVC in 2018. IPVC conducts, shares and transfers applied research, supported by a national and international network of partners, relevant to the region's cultural, social, economic and business tissues, financially sustainable and included in an IPVC training offer.

Compared to the other examined regions, Małopolska in Poland stands out positively in terms of low unemployment (the unemployment rate is 4.1%) and a very high level of internet access (93.2%). However, these positive phenomena do not translate into an overall level of development as measured by GDP per capita, which is much lower than in the regions discussed above, at only 11,935 EUR. Medium-sized and large enterprises in this region represent only 0.7% of the total number of registered companies. The region is a leader among tourist destinations in Poland with unusual landscapes and beautiful nature, an impressive number of monuments and a unique atmosphere. The Tatra mountains, the Krakow-Czestochowa Upland, castle ruins, historical towns, wooden churches, spas with mineral waters, thermal baths, cultural events, still alive tradition and delicious cuisine – these are just some of the attractions that wait here for tourists. The region has well-developed high tech, automotive, tourism and business service sectors thanks to its high scientific, research and educational potential, availability of qualified engineering staff and labour force, and convenient natural and climatic conditions. The gross domestic expenditure on R&D (GERD) indicator in 2017 was at the level of 1.85% (Poland – 1.03%). Employment in the R&D sector is growing (in 2015, it amounted to 14,500 EPCs). The research projects in Małopolska represent the following fields: technical sciences and energy, biological and medical sciences, agricultural sciences, physical and engineering sciences, and digital research infrastructure. Małopolska is characterised by a high level of entrepreneurship. In 2018, 9.0% of Polish entities were located in this region. In the last decade, the number of business entities has significantly increased in relation to the population – the indicator expressing the number of entities per 1000 inhabitants in 2018 was 115. Around 10% of Polish startups come from Krakow, which places the regional capital on the 3rd place in the country. Małopolska is one of the most important academic centres in Poland with more than 150,000 students. It has 106 accredited research laboratories, and 3,100 other laboratories (807 are located in scientific units – universities, institutes of the Polish Academy of Sciences, and research institutes).

Taking into account the analysed indicators, the weakest level of development is recorded in Slavonia, Croatia. The region is sparsely populated (56.7 persons per 1 km²). Also, the value of GDP per capita is low – only 7,672 EUR. The unemployment rate is very high, reaching 20.3%. The region is in a very disadvantaged position in terms of internet access. Only 18.7% of the population has internet access. As for tourism, this part of Croatia is best known for its spacious and fertile fields, big rivers and marshlands, forests, old cities, wine production and joyful people with rich traditions. Agriculture, the food industry and wood processing are the most prominent sectors. The science and research landscape in 5 Slavonian counties includes the Josip Juraj Strossmayer University of Osijek, the College of Slavonski Brod, the Polytechnic in Požega, the Virovitica College, and the College of Applied Sciences ‘Lavoslav Ružička’ in Vukovar. The higher education institutions had more than 19,200 students in 2018/2019. In 2017, the R&D expenditure stood at 65.7 EUR per capita compared to 49.3 EUR per capita at the national level. For a number of years, the level of activity in starting business ventures has been lower than the national average: 6.6 and 9.6%, respectively (2018). The GEM research also indicated regional differences in attitudes towards entrepreneurship: in 2018, it was at the lowest level (46.7%).

4.2 Development problems of rural areas in the studied regions

Synthetic conclusions resulting from the focus group discussions in the studied regions, referring to the main development problems identified in rural areas, are presented in Table 2.

They raise various issues. The problems were presented in a non-uniform manner. In order to systematise the obtained information and enable its comparison, the identified development problems were grouped under six thematic areas:

- unfavourable demographic situation;
- low quality of human capital and social capital;
- financial barriers to development of enterprises;
- poorly developed economic and social infrastructure;
- legal and administrative impediments;
- low effectiveness of the implemented development policy.

Table 2. The main development problems of rural areas in the studied regions (elaboration based on www.ruralentrepreneurs.eu).

Münsterland, Germany	Slavonia, Croatia	Alto Minho, Portugal	Malopolska, Poland	Saxony-Anhalt, Germany
• Poor labour market situation. • Percentage of rural unemployment and of population migrating to urban areas has increased considerably. • Bureaucracy is shifting innovation in the region. • Collapses of SMEs due to unprecedented lockdown.	• Shortage of knowledge. • Complicated regulatory framework. • Too much administrative work. • Low attractiveness of agriculture for young people. • Lost identity of rural regions. • Subsidies not connected with the incomes. • Lack of centres for smart agriculture production. • Still no accepted strategy for agricultural production. • Too strong importing lobby. • Some cultures are exported before the crops are ripe.	• Reduced numbers of inhabitants in the rural areas. • An ageing population. • Excessive bureaucracy. • Accessibility and access to services. • Young people are not motivated. • Not enough business opportunities. • Low development of a local/regional economic model.	• Lack of interest in local products. • Lack of adequate interest and demand for local products. • Egotism and mental barriers, and their insufficient or inadequate promotion. • Lack of stable logistic systems for sale of manufactured products. • Insufficient development of material and financial infrastructure. • Systemic risk related to financing of specific projects. • Reduction of socio-economic and financial activity due to pandemic situation. • Social activity and readiness to undertake actions for the common good are still relatively rare. • Lack of local leaders who have the ability to integrate the local community around a common goal.	• Lack of good accessibility of the centres, young families do not want to move to the region, lack of companies due to the lack of skilled workers. • Ageing society that is increasing the demand for infrastructures that accommodate the needs of the elderly. • High proportion of school dropouts. • Outward migration. • Decreasing number of pupils. • Deteriorating density of medical care.

The development problems of rural areas identified in the studied regions were assigned to separate thematic groups and their occurrence in the studied regions was determined (Table 3).

The analysis shows that the most common development problems of rural areas are related to the unfavourable demographic situation and the existing financial barriers to business development. These two issues were indicated in four out of five studied regions. They concern both highly developed regions and those with a lower level of development.

The unfavourable demographic situation was presented as a rural development problem in four regions: Slavonia in Croatia, Münsterland in Germany, Alto Minho in Portugal and Saxony-Anhalt in Germany. There is a noticeable decrease in the number of inhabitants in rural areas and an aging population in Alto Minho. This is related to the lack of motivation of young people to live in rural areas. Also in Slavonia there is an outflow of young people, for whom the work in agriculture is not very attractive. Similarly in Saxony there is visible aging of population. Young families are not willing to live in rural areas and migrate to cities or abroad. This situation generates a lack of skilled workers and consequently is a barrier to the development of companies in rural areas. Similarly, Münsterland is witnessing an increase in the number of people migrating to cities.

The second very common problem of rural development is the existing obstacles to business development. Such types of difficulties were identified in four analysed regions: Slavonia in Croatia, Münsterland in Germany, Alto Minho in Portugal and Małopolska in Poland. In most of the regions, barriers to business development are associated with financial and demand barriers. In Alto Minho, insufficient financial resources significantly limit business opportunities. In Slavonia an important problem is the inappropriate system of subsidies for business activity, which is not linked to the income of enterprises. An additional impediment is the excessively strong import lobby and the lack of centres for intelligent agricultural production. In Małopolska, the reasons for the weak development of companies are the lack of consumer interest in local products and the low level of demand for them. This exacerbates the risks associated with financing specific projects. In addition, there is a lack of stable logistic systems to sell manufactured products. The situation in Münsterland is also difficult for the development of companies, many SMEs have closed down, which has resulted in a bad situation on the labour market and a significant increase in unemployment in the countryside. Important development problems in rural areas also include: low quality of human capital and social capital, underdeveloped economic and social infrastructure and existing legal and administrative barriers. Problems

Table 3. The occurrence of rural development problems in the studied regions.

Development problems	Slavonia, Croatia	Münsterland, Germany	Alto Minho, Portugal	Małopolska, Poland	Saxony- Anhalt, Germany
Unfavourable demographic situation	x	x	x		x
Low quality of human capital and social capital	x			x	x
Financial barriers to development of enterprises	x	x	x	x	
Poorly developed economic and social infrastructure			x	x	x
Legal and administrative impediments	x	x	x		
Low effectiveness of the implemented development policy	x		x		

belonging to these categories were reported in three different examined regions. Also, these issues concern both highly developed regions and those with a lower level of development.

Barriers due to low levels of human and social capital were found in Slavonia in Croatia, Małopolska in Poland and Saxony-Anhalt in Germany. An important problem in Saxony-Anhalt is the declining number of students associated with high dropout rates. What is a barrier to development in Slavonia is lack of sufficient knowledge on how to run a business in rural areas. Additionally there is a problem of loss of regional identity of rural societies, which hinders their integration and cooperation. The voivodeship of Małopolska voivodeship has also indicated mental barriers, limiting social activity and readiness to undertake actions for common good as well as the lack of local leaders, who have the ability to integrate the local community around a common goal.

There are deficiencies in economic and social infrastructure in the rural areas of the regions investigated. These were identified in the regions: Alto Minho in Portugal, Małopolska in Poland and Saxony-Anhalt in Germany. In particular, in Małopolska there is insufficient development of physical infrastructure. The main problem of Alto Minho is poor availability of social services. In Saxony-Anhalt it is especially visible weak accessibility of medical care facilities.

A significant obstacle to the development of rural areas are the existing legal and administrative barriers. Such problems were reported by experts from the following regions: Münsterland in Germany, Slavonia in Croatia and Alto Minho in Portugal. The complicated legal framework and excessive bureaucracy were mentioned as obstacles for the development of enterprises in all regions mentioned.

Except for the discussed development problems of rural areas, concerning most of the surveyed regions, ineffectiveness of the implemented development policy was also among the reported development barriers. However, this was a problem occurring only in two regions: Slavonia in Croatia and Alto Minho in Portugal. Slovonian lacks an established agricultural production strategy. While Alto Minho does not have a developed local development model. It should be noted that the problem of inefficiency in the execution of development policy did not refer to the regions with the highest level of development, i.e. German regions.

4.3 Recommended actions aimed at alleviating existing rural development problems

The structured guidelines resulting from the focus group discussions in the surveyed regions relating to the recommended actions for reducing the problems in rural areas are presented in Table 4.

The experts' guidelines were presented in a heterogeneous way, and, for the purpose of a comparative analysis, grouped – as in the first part of the comparative study – under six thematic areas:

- education;
- local products;
- medical care;
- policy improvements;
- cooperation;
- infrastructure and digitalisation.

What is noteworthy at this stage is the fact that the characteristics of the recommended areas are similar to the identified problems, which seems to be a natural direction of the conclusions of workshop participants.

The actions to be considered as recommended in the studied regions were assigned to separate thematic groups (Table 5).

Table 4. The presentation of actions to be considered as recommended in terms of regional development (elaboration based on www.ruralentrepreneurs.eu).

Münsterland, Germany	Slavonia, Croatia	Alto minho, Portugal	Malopolska, Poland	Saxony-anhalt, Germany
• Stimulating willingness to set up a company. • Strengthening entrepreneurial potential. • Encouragement of rural entrepreneurship. • Better promotion of entrepreneurial education within the region where 'classic' images of entrepreneurship need to be challenged. • Identification of competencies for the future under the new 'normal'. • Supporting access to finance, information, and market. • Enhancing attitudes in rural entrepreneurs which are different compared to urban ones.	• Stronger engagement of rural resources and people – rural strengths. • More effective use of eu membership possibilities. • Focusing on young entrepreneurs. • Stronger triple-helix model utilisation within rural areas. • Focusing on good practice examples in circular economy, revivification of the rural areas. • Supporting formation of centres for education in agriculture. • Joining agro-clusters. • Supporting improvements in food production. • Utilising different approaches towards big and small agricultural family farms as having different problems.	• Keeping people engaged and interested in rural development. • Engagement of policymakers in solving remote villages' problems. • Better distribution of local products. • Taking action to encourage people to return to the territory. • Enhancing quality/diversity of local products.	• Commercialization and promotion of local products and services provided by social organizations and households. • Increase in the level of knowledge on financing opportunities. • Increasing the ability to raise funds. • Building attitudes of local economic patriotism. • Increased knowledge of the benefits of purchasing local products and services for the local community and economy. • Promoting the purchase of local products/services. • Stimulating local community activity and promoting cooperative attitudes. • Financial resources should be re-allocated to support local micro entrepreneurs and not just local businesses but also social organizations which offer local products and services that are not well promoted and offered.	• Increasing mobility and building good infrastructure – prerequisites for the attractiveness and future viability of the region considered as a residential and business location. • Supporting educational activity. • Providing lifelong learning possibilities, knowledge transfer, digital education and (individual) support, cultural education, and solutions for cases where face-to-face teaching is not possible. • Increased digitalization as the possibility of networking, proximity, local anchoring, dynamics, independence, and taking new paths. • Providing solutions for increasing demand for access to medical care.

Table 5. The areas of activities considered as recommended in the development of studied regions.

Recommended actions	Slavonia, Croatia	Münsterland, Germany	Alto Minho, Portugal	Malopolska, Poland	Saxony- Anhalt, Germany
Education	x	x		x	x
Local products	x		x	x	x
Medical care					x
Policy improvements	x	x	x		
Cooperation	x		x	x	
Infrastructure and digitalisation		x	x	x	x

In the identified areas experts give special attention to education. As for the educational direction being one of the most important factors serving the development of rural areas, this indication was missing only in one case. A similarly high level of similarity in terms of the desired directions of development was observed in the area related to regional products. The experts unanimously perceive the development of production, distribution and promotion of these products as the possibility of increasing the significance of rural areas. This consensus should in fact be applied to all of the analysed European areas, as it was less clearly articulated in only one of the analysed areas (Münsterland). However, when considering other important directions of development identified in this area, there was a strong reference to entrepreneurship, which could indirectly refer to the management of local resources,

Infrastructure and digitalisation is another area with the strongest identified similarity when it comes to identifying activities for rural development. Among the expert indications concerning the need for activities in this area, only Slavonia lacked a direct reference. On the contrary, it can be concluded that the issue of the need for activities in the field of infrastructure development and digitalisation is largely the domain of national and regional policies.

The need for policy action in this case is another highlighted area of comparative analysis. The clear indications for action in this area were identified in three out of the five analysed cases. A high level of intensity of activities in this field is shown by the Croatian region, and it can be argued that there is an indirect reference to the area of infrastructure and digitalisation, bearing in mind the factor referred to as ‘more effective use of EU membership possibilities’.

Another positively verified area in terms of the consistency of expert indications and recommended actions ‘cooperation’. Similarly to the previously discussed ‘need for policy action’, this is not an area with the strongest indication – only three out of five areas identify the need for action. Nevertheless, the factor of cooperation for rural development purposes is perceived as important by experts. On the other hand, it may be concluded that it has been indirectly recognised in Munsterland, taking into account the identification of the measure ‘strengthening entrepreneurial potential’, which refers to strengthening, inter alia, the social capital as a result of cooperative activities.

The exception to be verified as negative is the area of medical care, which was found in one of the five European regions (Saxony-Anhalt). Although it is suggested that there is an indirect reference to the area of policy improvement in terms of health policy, it seems that the specificity of the homogeneity of this area is too distant and, therefore, there is no reason for a direct reference and correlation with the area of policy improvement.

Summing up the arguments presented in the above discussion in relation to similarities between the recommended actions, it can be concluded that the level of similarity is high. In relation to 50% of the compared areas, the concordance of expert indications was 80%, in relation to 40% of the areas the coefficient was

60%, and only in 20% the coefficient did not exceed 50% (a 20% similarity level). The experts recommend taking very similar measures in different and socio-economically diverse European regions in the context of their development.

The results of the research presented in the paper reflect similar problems in all the analysed despite their specific challenges and goals. The conducted research also reveals the existence of common problems and development challenges, regardless of the location of the rural area: unfavourable demographic factors, low quality of human and social capital, financial barriers to entrepreneurship development, poorly developed infrastructure, legal and administrative burdens, and low effectiveness of the implemented development policies. The comparative analysis of the identified challenges and recommended actions shows a high level of similarity. According to the results of the study, there are six thematic areas for policies and specific actions: education, development of local products, better medical care in rural areas, policy improvements, cooperation and infrastructure, and digitalisation. Education is considered, according to all stakeholders, as the most important area for improvement, especially education in the field of entrepreneurship.

The obtained results are based on the direct analyses of rural communities and the practical experience gained by local stakeholders, well-acquainted with the existing conditions and economic environment, and committed to making necessary improvements.

The study was simultaneously conducted in rural areas in several European regions characterised by different socioeconomic factors and development levels. Despite these differences, the obtained results are similar, which confirms the universal character of problems and challenges faced by rural areas.

The results of the study are consistent with the findings of other authors. They confirm the findings of Deller *et al.* (2019), who state that one of the major barriers to rural development is related to demographic factors and the inadequate quality of human capital resulting from lower levels of education in rural areas. Also, it is confirmed that another obstacle is the quality of social capital and that one of the major challenges is the necessity of cooperation between entrepreneurs and other stakeholders. Other authors point to the necessity of creating cooperation networks (Berglund *et al.*, 2016), engaging all stakeholders (Brandt *et al.*, 2018; Hercz *et al.*, 2021; Leonidou *et al.*, 2020; Messeley *et al.*, 2013), as well as engaging local communities in developing local entrepreneurship (Anderson and Lent, 2019; Steiner and Teasdale, 2019). A significant conclusion is the identification of the challenge related to developing rural entrepreneurship supported by the specificity of products offered by a given region. Some other cited authors also stress the need for stimulating and developing rural entrepreneurship (Berglund *et al.*, 2016; Muñoz and Kimmitt, 2019; Sá *et al.*, 2018; Yu and Artz, 2019) as well as the significance of grassroot initiatives (Haan *et al.*, 2019).

5. Conclusions and recommendations for future research

The problem of rural development has been on the EU agenda for many years, but there is no simple answer or universal policy that can solve it. While some researchers and policymakers argue that agriculture is the solution for all the problems in rural areas, others strongly support the idea of strengthening business ecosystems in rural areas and residents' entrepreneurial activities. Proposed actions are very different, and it seems that there is no consensus among researchers and policymakers.

Stimulating social and economic development in rural areas is an important problem for all European Union countries. Rural areas are less attractive for inhabitants and entrepreneurs than cities, which results, *inter alia*, from the fact that they struggle with problems related to adverse demographic changes, limited access to capital or unfavourable structures of their economies. A serious challenge for communities and local authorities is to create conditions for boosting development and improving the quality of life of rural residents.

The main goal of this study was to identify development problems in rural areas and to offer recommendations for actions that would make it possible to overcome them. The research was carried out in selected regions

of the European Union, with diverse levels of socio-economic development. The research questions were as follows: (1) What rural development problems were identified in the regions? (2) Are rural development problems similar or different in the analysed regions? (3) What are the possibilities for bridging existing development gaps in rural areas?

The analysis reveals that the most common development problems of rural areas are related to the unfavourable demographic situation and the existing financial barriers to business development. Important development problems in rural areas also include the low quality of human and social capital, underdeveloped economic and social infrastructure, and existing legal and administrative barriers.

The analysis reveals that the nature of the problems is not mainly affected by the level of social wealth in a given rural region, which points to the phenomenon of the homogeneity of rural areas in terms of development needs. The major development problems of rural areas concern both highly and less developed regions.

Further studies of rural regions point to a high level of convergence in terms of the recommended actions aimed to resolve their development problems. The education of local communities, the development of economic infrastructure and digitalisation as well as the manufacture and promotion of local products are regarded as the most important tasks. Other frequently recommended measures include cooperation between local communities and producers, and more attention given by local policies to the financial support of production companies and farms. Both business and social initiatives are important. However, social undertakings supported by local leaders are perceived more favourably by rural residents.

The conducted research demonstrates the existence of some common problems and development challenges specific to rural areas, regardless of their location in different regions and countries of the European Union.

The results of the study can be applied in practice. They allow for offering recommendations concerning rural area policies aimed to raise development levels.

It is advisable to develop entrepreneurship development strategies at the level of regions and municipalities. Such strategies should identify major development goals. Undoubtedly, one of them is the lifelong and continuing education of society, including education in the area of entrepreneurship. A significant role is also played by the identification of the local potential and the sources of competitive advantage (services and unique products) – a given region's strengths which contribute to building and increasing local brand recognition. Entrepreneurs' economic activities should be supported by legal, financial and organisational assistance. Importantly, opportunities offered to inhabitants and entrepreneurs should encourage them to carry out their operations in rural areas. Moreover, local manufacturers should be encouraged to engage in cooperation programmes through educating them in the possible benefits of such cooperation and simplified formalities. Cooperation between local stakeholders, apart from entrepreneurs, should also incorporate inhabitants, institutions and public administration representatives. However, the willingness to cooperate implies building mutual trust and ensuring effective communication.

The question arises if it is possible to tackle those problems with the same policies, without consideration given to local specificities, development levels and ecosystems. The presented results point to common priority recommendations – stakeholders in all the analysed EU countries identified similar problems and similar ways of resolving them. However, at an operational level, different solutions should be implemented in achieving propriety goals, giving consideration to local specificities, landscape and natural characteristics, existing economic structures, experience in economic activities and the uniqueness of local products.

The conducted research contributes to the theory of sciences which analyses the processes and determinants of rural development. It seems that apart from a positive verification of the results achieved by other authors, the value of this work also lies in the fact that it confirms the universal character of specific problems and

challenges faced by rural areas, regardless of their location (country or region), development levels or socioeconomic conditions.

The authors are aware of certain limitations of the presented study. Issues related to development problems and challenges in rural areas represent a vast research area. The presented considerations are based on several case studies. The proposed conclusions, but also the research study itself, are limited by the characteristics of the countries in the sample as well as by the chosen methodological approach. Although the analysed rural regions represent different levels of development, none of them can be referred to as underdeveloped. Therefore, recommendations and conclusions do not reflect the needs and requirements of underdeveloped countries. This study makes use of focus groups because its objective was to collect opinions and reflections from stakeholders in the observed countries. Thus technique allows for analysing socially acceptable opinions expressed by a certain type of participants. Since the focus analyses were conducted by different moderators in particular countries, we could not control the process itself and had a limited ability to guide it. Therefore, these limitations should be considered in analysing the collected data.

The conclusions of this research open the way for further in-depth analyses. Future directions could be supplemented by other case studies and comparisons of other regions of the European Union. Another area of future research could be an analysis of development changes in rural areas over longer periods of time. A valuable contribution to this field of study could be made by conducting comparative analyses of the development of European and other rural areas in the world.

The conclusions of different focus groups in different countries provide material for further research in the field of rural development. Recommendations were clustered around six areas, but they are too broad and cannot be used in the process of policymaking. Furthermore, there is a need to connect all identified areas in harmonised policies and concrete action plans. Finally, the results of the proposed policies and recommendation could be a basis for further research based on quantitative tools and methods.

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