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## The Financing Needs of Agritourism Farms in the Świętokrzyskie Province

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# THE FINANCING NEEDS OF AGRITOURISM FARMS IN THE ŚWIĘTOKRZYSKIE PROVINCE\*

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ABSTRACT | This study aims at assessing the financing needs of agritourism farms in the Świętokrzyskie Province. Since agritourism in Poland has been growing in a dynamic way for over a decade, it became an important component of the tourist offer. This part of tourism is largely dependent on financing capacities of agritourism farms. This study presents the results of the empirical survey carried out in the agritourism farms located in the selected gminas of the Świętokrzyskie Province.

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## Introduction

Agritourism is part of countryside tourism closely associated with agricultural farms, that started to develop in Poland anew in the early 1990s. This type of tourism is rather

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\* The territory of the Republic of Poland is divided into *województwa* – ‘provinces’ which are composed of *powiaty* – ‘counties’. The smallest administrative units are *gminy* – ‘municipalities’ or ‘communes’.

limited.<sup>1</sup> Due to the huge interest in agritourism among the population, the number of farms with such offers in Poland is growing every year.<sup>2</sup> Poland (including the Świętokrzyskie Province) has a good potential for such a development. It mainly concerns the regions with the low industrialisation and urban development, high unemployment rate, low income of agricultural population with free accommodation capacities, all factors facilitating the delivery of tourist services.<sup>3</sup>

The reason why tourists visit agritourism farms is their active stay and participation in the life of the farmer and their families. Moreover, it is a good opportunity to discover similarities and differences in agricultural life and opportunity to stay in healthy rural areas. Agritourism is a leisure activity performed on rural areas based on accommodation capacities and activities associated with agricultural farms and their surroundings (e.g. natural environment, production or services).<sup>4</sup>

Agritourism generates an increasing income of agricultural farms on regular basis.<sup>5</sup> Its growth creates additional job opportunities and chances to use existing accommodation facilities as well as own produce from these farms.<sup>6</sup> Moreover, it facilitates the development of culture, infrastructure, environmental and landscape protection, which, for agritourism, become key elements of this product on the market.<sup>7</sup> Many authors point out that agritourism brings profits both for farms and their visitors.

The main goal of this study is to identify the financial needs of agritourism farms in the Świętokrzyskie Province. Their operation is hindered by numerous development barriers. This study focuses mainly on the financial needs of agritourism farms. Satisfying those needs may weaken other barriers that prevent tourism from growing.

Empirical studies were conducted in 2013 with surveys in agritourism farms. They included the self-assessment of financial needs for such an activity. Purposive and random sampling were used. There were 170 agritourism farms selected for the study. These were farms with at least several years of experience and stable market position. After the correctness verification, 150 surveys were analysed with statistical and graphical interpretation.

<sup>1</sup> I. Janowski, *Agroturystyka i ekoturystyka – szansą odmiany oblicza świętokrzyskiej wsi*, in: *Wybrane problemy rozwoju regionalnego*, Prace Instytutu Geografii Akademii Świętokrzyskiej nr 11, Kielce 2004, pp. 63–77.

<sup>2</sup> J. Wojciechowska, *Procesy i uwarunkowania rozwoju agroturystyki w Polsce*, Wydawnictwo Uniwersytetu Łódzkiego, Łódź 2009, p. 167.

<sup>3</sup> U. Świetlikowska (ed.), *Agroturystyka*, Wydawnictwo Fundacji Programów Pomocy dla Rolnictwa FAPA, Warszawa 2000, p. 75.

<sup>4</sup> M. Drzewiecki, *Podstawy agroturystyki*, Oficyna Wydawnicza Ośrodka Postępu Organizacyjnego, Bydgoszcz 2001, p. 112.

<sup>5</sup> A. Jasińska, G.A. Ciepela, *Udział agroturystyki w tworzeniu dochodów gospodarstw rolnych*, in: *Konkurencyjność produktów turystycznych*, ed. M. Jalinik, Politechnika Białostocka, Białystok 2009, pp. 163–173.

<sup>6</sup> M. Durydówka, *Czynniki rozwoju i zróżnicowanie funkcji turystycznej na obszarach wiejskich w Polsce*, Wydział Geografii i Studiów Regionalnych UW, Warszawa 2012, p. 121.

<sup>7</sup> T. Dziechciarz, *Agroturystyka – nowa forma aktywności ekonomicznej ludności wiejskiej w Polsce*, in: *Studia nad turystyką. Prace ekonomiczne i społeczne*, eds. W. Kurek, R. Pawlusiński, Instytut Geografii i Gospodarki Przestrzennej Uniwersytetu Jagiellońskiego, Kraków 2007, pp. 76–84.

## Main barriers to agritourism as described in the literature on the subject

The existence of agritourism farms in rural areas can be a source of financial profits for farmers as well as an additional income. However, running agritourism farms means that farmers have to overcome numerous barriers to the growth of these farms including the most significant: the insufficient financial means for investments and modernisation of farms, difficulties in selling various tourist products, insufficient marketing, and complicated, difficult to interpret legal regulations. In order to stimulate a dynamic growth of agritourism, farmers' own activities have to be backed by the financial support from the European Union and local authorities.

The growth of agritourism is hindered by several barriers.<sup>8</sup> The most important include:

- insufficient financing of rural areas and the lack of capital for agritourism activities,
- underdevelopment of farms for agritourism purposes,
- psychological barriers within the population of rural areas, e.g. unwillingness to accommodate tourists,
- depopulation of rural areas,
- incomplete tourist offer in agritourism farms and their surrounding,
- poor spatial organisation and new real estate developments, unadjusted to the traditional architectural heritage,
- underdeveloped transportation system and poor tourist infrastructure,
- incoherent financing of government investments and incoherent subsidising of private investments in tourism,
- insufficient diversification of agritourism promotion and the region itself.

Moreover, within the majority of areas in Poland farmers are not willing to cooperate with each other.<sup>9</sup> Yet another barrier to overcome is the lack of support from local authorities and insufficient coordination of activities related to agritourism between authorities of different levels.

## Barriers to agritourism farms in the Świętokrzyskie Province according to the interviewees

Agritourism is an important, developing form of tourism in the Świętokrzyskie Province.<sup>10</sup> Agritourism farms in this province have been operating since 1993. That type of entrepreneurship among the farmers originated mainly in the agricultural consultancy system. The number of agritourism farms is growing every year and agritourism products are supplemented and developed on regular basis. Over 60% of all agritourism farms are currently well-founded on the tourist market and their offer is not limited to mere accommodation and dining; more sophisticated offers are starting to be provided.

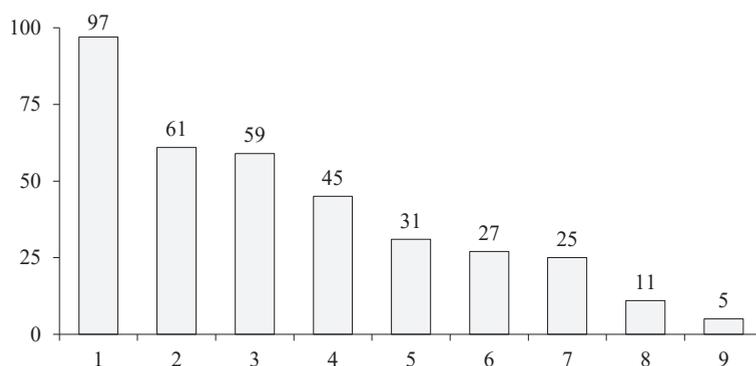
<sup>8</sup> M. Sznajder, L. Przezbórska, *Agroturystyka*, PWE, Warszawa 2006, p. 257.

<sup>9</sup> B. Sawicki, *Perspektywy rozwoju usług agroturystycznych w Polsce*, in: *Rozwój turystyki na obszarach wiejskich*, ed. M. Jalinik, Wydawnictwo Politechniki Białostockiej, Białystok 2007, pp. 12–25.

<sup>10</sup> M. Wilk-Grzywna, *Działalność Regionalnej Organizacji Turystycznej Województwa Świętokrzyskiego (2002–2007)*, in: *Rozwój turystyki w warunkach Unii Europejskiej*, eds. W. Cabaj, J. Feczko, Wyższa Szkoła Ekonomii i Prawa, Kielce 2009, pp. 217–224.

Within the agritourism farms included in the survey, 25% have been on the market for 4–6 years. Over 10 year of experience in the business is a characteristic of 23% farms, whereas 7–10 year experience – of 21%. The agritourism farms with less than 3 years in the business constitute 17%. The significant 14% interviewees has not given the date of commencing their agritourism activities.

The surveyed agritourism farms offer mainly accommodation – 97%. Moreover, 59% of this group rent various equipment to their guests, while 61% offer meals for tourists. The least widespread practices are the distribution of souvenirs (11%) and education activities (25%).



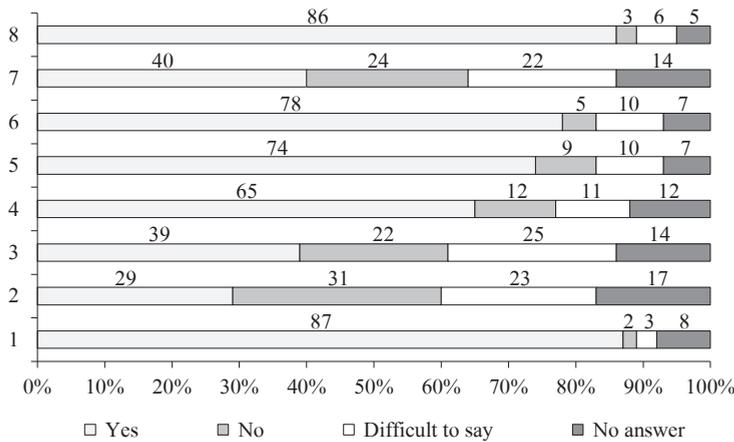
1 – Accommodation, 2 – meals for tourists, 3 – rental of various equipment, 4 – selling farm produce, 5 – guide services, 6 – organizing trips and events, 7 – educational activities, 8 – distribution of souvenirs, 9 – other.

**Figure 1.** Composition of offers in agritourism farms (%)

Source: own calculations based on field studies

Despite the favourable conditions for the agritourism growth in the Świętokrzyskie Province, farm owners face numerous difficulties in running their businesses.

The most significant obstacles preventing agritourism growth according to the interviewees include insufficient own capital (87%) and difficult application process for the EU funds (86%). Another barrier is the ambiguity of legal regulations concerning business accounting practices (74%) and meals for tourists (78%). The interviewees expect more support from local authorities (65%) and industry organisations (39%). The above mentioned barriers to agritourism are important according to the interviewees. A small percentage (29%) of the surveyed farmers point to their own insufficient knowledge both of tourists' expectations and running agritourism business (40%) (Figure 2).



1 – insufficient own capital, 2 – insufficient knowledge of tourists’ expectation, 3 – lack of support from industry organizations, 4 – lack of support from local authorities, 5 – ambiguity of legal regulations concerning business accounting practices, 6 – ambiguity of legal regulations concerning preparing meals for tourists, 7 – insufficient knowledge of running agritourism business, 8 – difficult application process for the EU funds.

Figure 2. Barriers to agritourism growth

Source: own calculations based on field studies.

### Fundraising for agritourism

Setting up an agritourism business requires appropriate capital. Farmers’ own capital is the main source of financing various investments.<sup>11</sup> It has two forms: money (cash, securities, bank accounts) and property (buildings, machines, livestock, produce, etc.). The capital can come from diverse sources and thus be divided into internal and external, own and foreign.<sup>12</sup> The main source of the internal capital is the exchange of material assets into financial means. It includes – among others – profits from cash deals. Foreign capital may help farmers in setting up their agritourism businesses, but the way it is obtained is a huge problem. The financial support can assume manifold forms.<sup>13</sup> The most frequently used include:

- credits with low interest rates from cooperative banks or foundations for agritourism development created by local authorities,
- budgetary funds from local authorities (communes) (e.g. for upgrading the systems of transportation, telecommunication, water supply and sewerage),

<sup>11</sup> M. Dębniwska, M. Tkaczuk, *Agroturystyka – koszty, ceny, efekty*, Poltext, Warszawa 1997, p. 181.

<sup>12</sup> H. Godlewska, *Polskie rolnictwo wobec integracji z UE*, in: *Obszary wiejskie w Polsce a integracja z Unia Europejską*, eds. C. Sobków, M. Zarębski, Wydawnictwo Adam Marszałek, Toruń 2002, pp. 82–95.

<sup>13</sup> B. Bury (ed.), *Agroturystyka a problemy społeczne zatrudnienia*, Wydawnictwo i Zakład Poligrafii Instytutu Technologii Eksploatacji, Końskie–Radom 2002, pp. 41–52.

- budgetary funds from local authorities on the level of counties and provinces,
- funds from the European Union.

Poland joining the European Union opened significant financing possibilities for the Polish rural areas including agritourism. Poland uses the following three types of funds:

- pre-accession instruments, e.g. Phare, SAPARD, Leader,
- the EU initiatives, e.g. INTERREG, URBAN, EQUAL,
- structural funds, e.g. the European Regional Development Fund, the European Agriculture Guidance and Guarantee Funds, the European Social Fund, the Cohesion Fund.

Subsidies from EU funds for agritourism are transferred for investments in particular farms as well as agritourism communes.<sup>14</sup> On the farm level these funds are coordinated both by centres of agricultural consultancy and the Polish Federation of Countryside Tourism „Gospodarstwa Gościnne” (Polska Federacja Turystyki Wiejskiej „Gospodarstwa Gościnne”).

The foundations supporting entrepreneurship in rural areas such as e.g. the Rural Development Foundation (Fundacja Wspomagania Wsi) or the Foundation for the Development of Polish Agriculture (Fundacja na Rzecz Rozwoju Polskiego Rolnictwa) play a significant role in the development of agritourism.

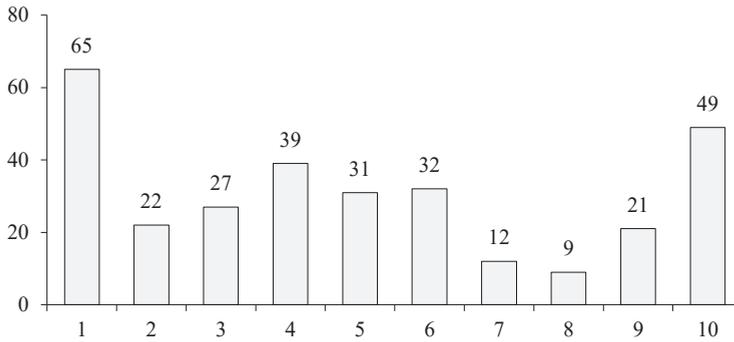
Apart from the preferential soft credits with low interest rates, agritourism farm owners can benefit from commercial credits on general terms. The interest of banks in financing agritourism with their credits is rather narrow, and there are no rules for granting credits for this business.<sup>15</sup> Banks and investors underestimate the growth of agritourism in the general tourism. Therefore, financial support for agritourism in the Polish banking system requires organisational changes.

## Main financial needs of agritourism farms in the Świętokrzyskie Province according to the surveyed interviewees

According to the farmers participating in the survey, financing is one of the most serious barriers to the growth of their agritourism businesses. Therefore, they pay attention to identifying needs of farm owners for investments and their financial outlays. The most important goals for the interviewees are modernisation of their dwellings (65%), promotion (49%), and purchasing sports and recreational equipment (39%). The farmers also want more support both for launching produce on the market (32%), expanding the offer of the services in question (31%) as well as developing agritourism facilities (27%) and their equipment (22%). Only 12% of the interviewees claim that there is a need for financing activities aimed at improving the quality of services offered, and 9% want to introduce the categories of agritourism facilities, an innovation which also requires financial outlays. Figure 3 presents the distribution of their answers.

<sup>14</sup> I. Wierzbicka, *Rola samorządu województwa świętokrzyskiego w kreowaniu przedsiębiorczości turystycznej*, in: *Regionalne oraz lokalne czynniki i bariery rozwoju turystyki*, ed. E. Nowak, Wydawnictwo Uczelniane Wszechnicy Świętokrzyskiej, Kielce 2003, pp. 131–141.

<sup>15</sup> E. Pałka, *Uwarunkowania i procesy rozwoju agroturystyki. Przykład województwa świętokrzyskiego*, Wydawnictwo Uniwersytetu Jana Kochanowskiego, Kielce 2015, p. 333.



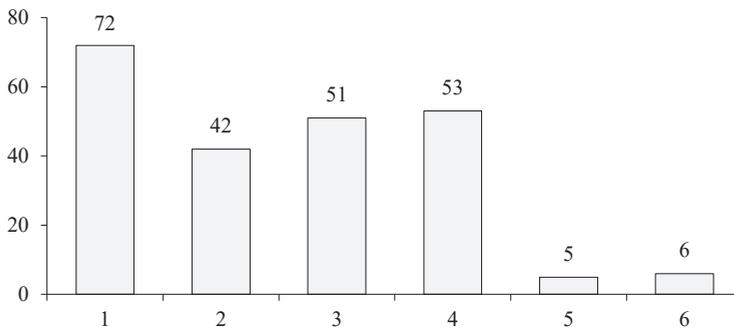
1 – modernization of their dwellings, 2 – development of farm equipment, 3 – developing agritourism facilities, 4 – purchasing sports and recreational equipment, 5 – expanding the offer of services, 6 – launching produce on the market, 7 – improving quality of services, 8 – introducing categories of agritourism facilities, 9 – training concerning agritourism business, 10 – promotion.

**Figure 3.** Agritourism financing needs (%)

Source: own calculations based on field studies.

The survey includes the investments scheduled in the development of agritourism farms within the incoming three year period (i.e. 2014–2016). The agritourism farmers have decided to take such steps to enhance their offer and improve quality of services.

For 72% of the interviewees it is necessary to renovate their dwellings, and 53% plan to invest in promotion and marketing. Other necessary investments for agritourism farm owners include the development of additional items in their offer or selling food. It is worth mentioning that up to 5% of the interviewees do not plan any investments in their farms in next three years.

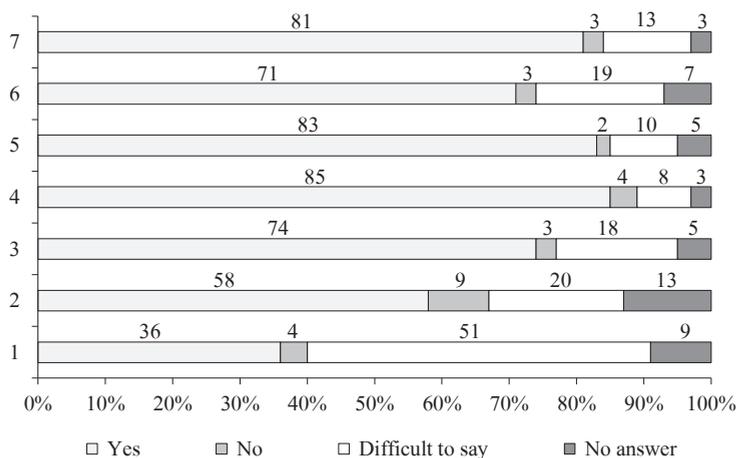


1 – necessary to renovate their dwellings, 2 – development of selling food, 3 – development of additional items in the offer, 4 – investing in promotion and marketing, 5 – no investments plans, 6 – other.

**Figure 4.** Investments in the development of agritourism farms scheduled for next three years

Source: own calculations based on field studies.

The owners of agritourism farms are willing to finance scheduled investments from their own resources (96%). Despite difficulties in obtaining the financial support from EU, up to 74% of the interviewees plan to apply for such aids. The interviewees also want to use bank loans (12%). As the main reason for their unwillingness to apply for EU funds, they usually point to the complicated application procedures, insufficient information on various financial resources, and inability to prepare application forms.



1 – cooperation with universities, 2 – knowledge of tourists' expectation, 3 – cooperation between agritourism farms, 4 – professional support and cooperation with centres of agricultural consultancy, 5 – professional support and cooperation with local authorities, 6 – professional training, 7 – broader knowledge on EU funds.

**Figure 5.** Factors facilitating external financing for the development of agritourism farm

Source: own calculations based on field studies.

The survey in question has also identified the factors that can – according to the farmers – increase their chances of obtaining some external financing for their agritourism farms. The most important factors comprised: the professional support and cooperation with centres of agricultural consultancy (85%), support and cooperation with local authorities (83%), broader knowledge of EU funds (81%). The farmers also emphasise the professional training (71%) and cooperation between agritourism farms (74%). The fewest interviewees (36%) considered the cooperation with universities as a possible factor facilitating external financing. Over half of them (51%) are not able to decide whether universities can help them receive financial support.

## Conclusions

Agritourism can be an alternative for the farmers of the Świętokrzyskie Province (particularly from areas with the conditions unfavourable for agricultural development). Unfortunately, these are

often the poorest areas and their inhabitants do not possess financial means for adjusting their farms to the needs of potential tourists, sanitation improvement or enhancing their surrounding. Many agritourism farms from the Świętokrzyskie Province still offer an incomplete range of tourist services, e.g. accommodation only, without food or dining possibilities on farms, and few leisure activities. The agritourism in the Świętokrzyskie Province is also hindered by the depopulation of rural areas. Young, ambitious and industrious people migrate to urban areas in search for jobs and an easier life.

As the results of the survey show, the most significant barriers to the agritourism growth in the Świętokrzyskie Province are: the insufficient own capital, difficulties in obtaining an EU support, and complicated legal regulations concerning settling accounts and the sale of food on farms.

The greatest number of needs identified by the interviewees is concerns the financing of agritourism aimed at renovation of dwellings and promotion. Up to 95% of the participants of the survey are planning to develop their agritourism activities and invest in the renovation of their dwellings, promotion of their farms and expansion of their offer. Moreover, 74% of the farmers express the wish to apply for EU funds.

With the answers of the interviewees concerning the need for agritourism financing in mind, it is necessary to take additional steps. They include:

1. Seminars, symposia and meetings with local authorities, centres of agricultural consultancy, agritourism organisations focused on overcoming the difficulties in running agritourism businesses.
2. Close cooperation between the farmers and their local authorities.
3. Consultancy on the sources of agritourism financing and rules concerning application forms for subsidies.
4. Common steps taken by various institutions to promote social and economic development in the rural areas in question.
5. Educational programmes for farmers aimed at supplementing their knowledge on the rules of agritourism.

The Świętokrzyskie Province has environmental and cultural values aplenty as well as a good location. Owing too these facts, appropriate marketing activities can stimulate the constant growth of the demand for the agritourism product.

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## POTRZEBY W ZAKRESIE FINANSOWANIA DZIAŁALNOŚCI GOSPODARSTW AGROTURYSTYCZNYCH NA PRZYKŁADZIE WOJEWÓDZTWA ŚWIĘTOKRZYSKIEGO

### SŁOWA KLUCZOWE

działalność agroturystyczna, obszary wiejskie, bariery rozwoju, finansowanie

### STRESZCZENIE

Niniejsza praca stanowi próbę oceny potrzeb w zakresie finansowania działalności gospodarstw agroturystycznych znajdujących się na obszarze województwa świętokrzyskiego. W ciągu ostatnich kilkunastu lat obserwuje się w Polsce dynamiczny rozwój agroturystyki. Dzięki temu stała się ona ważnym elementem oferty turystycznej. Rozwijanie tej formy turystyki jest uzależnione w znaczącym stopniu od możliwości finansowych w gospodarstwach agroturystycznych. Niniejsza praca prezentuje wyniki badań empirycznych przeprowadzonych w gospodarstwach agroturystycznych zlokalizowanych w wybranych gminach województwa świętokrzyskiego.