



## OPPORTUNITIES AND CHALLENGES OF RURAL ENTREPRENEURSHIP DEVELOPMENT IN WOLAITA ZONE, ETHIOPIA – DOCUMENTAL REVIEW

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### ABSTRACT

*Rural entrepreneurship is lauded for transforming and revitalizing the rural economy by stimulating the production of value, creating opportunities for jobs and fostering market links that play a vital role in economic growth. By providing job opportunities to people in villages, rural entrepreneurs increase the quality of living and buying power of people. It aims to raise people's living standards, especially in rural areas. It plays a vital role in generating local jobs, managing the use of resources, generating income and improving people's living standards in rural areas. Thus, rural businesses are a growth driver that triggers the process of production. However, in many developing countries, entrepreneurs in rural areas are not well-recognized for stimulating rural economies. To explore the opportunities and challenges for rural entrepreneurship, the current study entitled "Opportunities and Challenges of Rural Entrepreneurship in the Wolaita Zone, Ethiopia – Documental Review was done.*

**Keywords:** Economic Development, Rural Entrepreneurship, Challenges of Entrepreneurship, Opportunities of Entrepreneurship

### INTRODUCTION

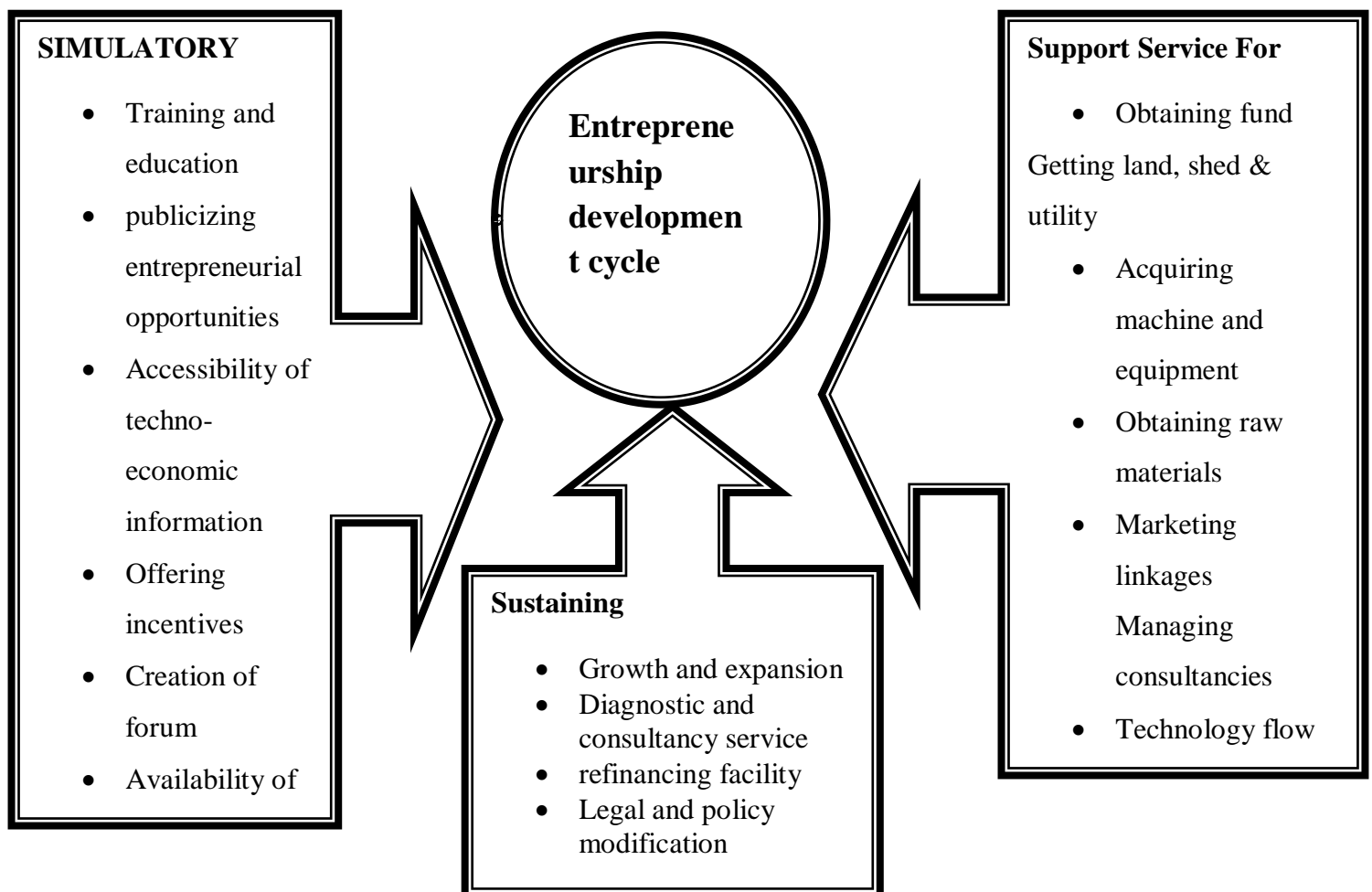
The growth of entrepreneurship in a rural setting in the age of globalization is a challenge. People in rural areas face unemployment issues, weak infrastructure facilities that can be solved with rural entrepreneurial growth. Rural entrepreneurship can be characterized as village-level entrepreneurship that can take place in a variety of fields of activity, such as business, industry, agriculture, and serve as a potent economic development factor. These rural entrepreneurs,

however, face multiple challenges, such as fear of risk, lack of capital, illiteracy and competition from urban entrepreneurs. Rural entrepreneurs boost people's standard of living and purchasing power by offering people in villages' employment opportunities. Rural entrepreneurs are those who, by forming industrial and business units in the rural sector of the economy, carry out entrepreneurial activities. Setting up industrial and business units in rural areas, in other words, refers to rural entrepreneurship. In driving the local and national economies, rural entrepreneurs play a significant role. The framework of rural economies consists essentially of small businesses that are responsible for the majority of job growth and innovation.

## OBJECTIVE OF THE STUDY

- ❖ Analyzing the main benefits of rural entrepreneurship
- ❖ Reviewing the problems facing rural entrepreneurship
- ❖ To identify rural entrepreneurial opportunities

**Fig. I. Entrepreneurship development cycle**





## **MATERIALS AND METHODS**

Both primary and secondary sources of data gathered for this study. Using personal interview process, primary data was obtained. Different published and unpublished sources, such as magazines, newspapers, journals, books, and numerous other publications, collect the secondary data. In addition, from relevant websites, some valuable information was also collected.

## **SIGNIFICANCE OF THE STUDY**

Through their ability to search, entrepreneurs detect and evaluate environmental issues and opportunities to turn them into business proposals by creating large economic enterprises by channeling capital from less efficient to more productive. This study will be useful to the stakeholders of entrepreneurship including: Academics/Researchers, Policy Makers, Enterprises and the others in providing a deeper understanding of the critical factors and opportunities of rural entrepreneurship. Furthermore, the study will help the policymakers and financial institutions on how to encourage establishing or expanding entrepreneurs in rural area.

## **ROLES OF RURAL ENTREPRENEURS IN ECONOMIC DEVELOPMENT**

Entrepreneurs serve as catalysts for economic growth and also agents of social change and transformation through the successful and efficient use of natural and national resources. Rural entrepreneurship is honored for transforming and revitalizing the rural economy by stimulating the production of value, creating opportunities for jobs and fostering business relations. However, in many developed countries, entrepreneurs in rural areas are not well-recognized for stimulating rural economies. They play a vital role for the economic development of a country in the following ways:

1. Formation of capital: Entrepreneurs, as such, draw investment by positioning profitable business proposals to ensure private involvement in the process of industrialization. In exchange, the idle savings are also channelized for investment in business projects. Again, the savings are invested, giving the process of capital formation as a multiplier effect.
2. General Job creators and job providers and not the job seekers: With the process of globalization, government jobs are diminishing, leaving many unemployed. In these circumstances, the only source and hope of direct and indirect job generation are entrepreneurs and their enterprises. Employment is generated directly by the requirements of large corporations, as well as indirectly by subsidy and consequential growth activities.



3. Balanced regional development: In the working world, entrepreneurs often look for openings. They take advantage of the opportunities for government concessions, services and grants to set up their companies in undeveloped areas. It has been identified that strong Township Growth and regional peripheral development in the study area. Entrepreneurs thus reduce development inequalities and imbalances between regions where they work.

4. Improvement in the standard of living: Entrepreneurial steps taken by entrepreneurs through the generation of jobs lead to a rise in revenue and also buying power spent on consumption spending. The increased demand for goods and services is definitely improving economic production. Large scale production with technological advancements will result in economies of scale and low cost of production. Modern concept of marketing involves creating demand and then filling it. New innovation oriented and varying quality products at most competitive prices make common man's life smoother, comfortable and easier which are also contributions of entrepreneurial initiative.

5. National Self- reliance: The corner stores of national self-reliance are definitely entrepreneurs. They contribute to the production of indigenous replacements for imported goods, reducing dependency on foreign countries. In order to earn foreign exchange for the country, there is also a broad possibility of exporting goods and services.

6. Increase in per capita income: Entrepreneurs turn latent and idle resources such as labor, land and capital into goods and services, contributing to a rise in a nation's national income and, in turn, prosperity. Thus, the rise in national income is an indicator of the increase in the country's net national product and per capita income.

7. Planned Production: Entrepreneurs are known as economic agents and are best judged as they unite all means of production. To achieve the desired production, all the major factors of production, i.e. land, labor, capital and enterprise, are all brought together. This will help to make use of perseverance, proper judgment and comprehension of the business world of all factors of production. It is possible to prevent needless wastage of resources with the least combination of variables.

8. Equitable distribution of economic power: Economic power dominates the modern world. Economic influence is also the natural product of corporate and industrial activity. Industrial development can lead to the accumulation of economic power in a handful of hands, resulting in monopoly growth. Setting up vast numbers of firms therefore definitely helps to awaken the evil effects of monopolies. Therefore, entrepreneurs are crucial to the growth of new companies that energize the economy and also rejuvenate the businesses that make up the economic structure.

## **BENEFITS FROM RURAL ENTREPRENEURSHIP**



**Provide employment opportunities:** Rural entrepreneurship is labor intensive and offers a simple solution to the rising unemployment crisis. In rural areas, the construction of industrial units through rural entrepreneurship has a high potential for job creation and income generation.

**Check on migration of rural population:** The wide gap and income inequalities between rural and urban citizens can be filled by rural entrepreneurship. Infrastructural facilities such as electricity, highways, bridges etc. would be brought in or built by rural entrepreneurship. It can help to track people's migration from rural to urban areas in search of employment.

**Balanced regional growth:** The concentration of industrial units in urban areas can be dispelled by rural entrepreneurship and balanced regional growth can be encouraged.

**Promotion of artistic activities:** By preserving and promoting art and handicrafts through rural entrepreneurship, the age-old rich heritage of rural people is preserved.

**Check on social evils:** The growth of rural entrepreneurship will reduce social evils, such as poverty, slum growth, urban pollution, etc.

**Awaken the rural youth:** Rural entrepreneurship will awaken rural youth and open them to different ways to accept and encourage entrepreneurship as a profession.

**Improved standard of living:** The literacy rate of the rural population would also be improved by rural entrepreneurship. Their schooling and self-employment would make the community prosperous, thus raising their standard of living.

## CHALLENGES OF RURAL ENTREPRENEURSHIP

### Financial Problems

The insufficiency of credit institutions in terms of financial factors, the absence of cash management expertise, the lack of working capital, the fear of high collateral requirements, the procedures for applying for loans and the interest rate paid by banks and other lending institutions are recognized as the strategic priority of the study area for government bodies. Because it hinders the transitional development of rural entrepreneurs,

### Paucity of funds

Due to the absence of tangible protection and credit in the sector, most rural entrepreneurs struggle to get external funds. It takes too long to use the loan facility, as its delay also disappoints rural entrepreneurs. The lack of financing available to rural entrepreneurs is one of the biggest challenges facing rural entrepreneurs today, especially because of the global recession.



**Lack of infrastructural facilities:** In spite of government efforts due to a lack of sufficient and adequate infrastructural facilities, the growth of rural entrepreneurs is not very good.

**Risk element** Amounting to a shortage of financial capital and external funding, rural entrepreneurs have less capacity to bear risks.

### Marketing Problems

It is found that there is a lack of demand forecasting, a market for their commodity, and a lack of awareness of looking for new markets in relation to marketing factors. A visible funding and training distance from government sectors in the market field is the partnership with an agency that performs marketing research, lack of advertising to attract potential customers, weak consumer relationships and handling, poor product quality to attract the market, and lack of social awareness of small-scale industry.

**Competition:** Large-sized companies and urban entrepreneurs face intense competition from rural entrepreneurs. They experience high production costs due to the high cost of input. The problem of standardization and competition from large-scale units are major issues faced by marketers. Large scale unit rivalry also causes difficulties for the survival of new projects.

**Middlemen:** Middlemen exploit entrepreneurs from rural areas. For the marketing of their goods, rural entrepreneurs rely heavily on intermediaries who pocket large sums of profit. Other marketing challenges in rural areas are storage facilities and inadequate means of transport. Farmers store the produce in open space in most of the villages, in bags or earthen vessels, etc. Thus, these indigenous storage methods are not able to protect the substance from dampness, weevils, etc. There is no standardization or grading of agricultural products.

### Management Problems:

**Lake of Knowledge of information technology:** In rural areas, information technology is not very popular. Entrepreneurs depend on internal relations that facilitate the movement of goods, services, data and ideas. The intensity of family and personal relationships in rural communities can sometime be helpful but they may also present obstacles to effective business relationships

**Legal formalities:** Owing to illiteracy and ignorance, rural entrepreneurs find it extremely difficult to comply with different legal formalities when obtaining licenses.

**Lack of technical knowledge:** In the absence of technological expertise, rural entrepreneurs suffer from a serious problem. The lack of training facilities and extension services is an obstacle to rural entrepreneurship growth.





**Poor quality of products:** The inferior quality of goods manufactured due to the lack of access to standard instruments and equipment and the low quality of raw materials is another important problem in the development of rural entrepreneurship.

### **Human Resources Problems**

**Low skill level of workers:** Many rural-area entrepreneurs are unable to employ high-skilled employees. In this instance, turnover rates are also high. On the job training, they have to be provided with and their training is normally a major problem for entrepreneurs since they are often uneducated and have to be trained in local language that they easily understand.

**Negative attitude** The setting is not conducive to encouraging rural people to take up entrepreneurship as a profession in the family, community and support system. It could be due to a lack of understanding of entrepreneurship opportunities and skills. Mostly, the young and well educated appear to leave. Rural people can, according to conditions, be more self-sufficient by force than their urban counterparts, but the culture of entrepreneurship appears to be weak. In the case of rural workers with whom it is often difficult for an entrepreneur to connect, continuous encouragement is required.

## **OPPORTUNITIES OF RURAL ENTREPRENEURSHIP**

Entrepreneurs have multiple opportunities to become proficient in the economy and to make the best contribution to the country's overall growth. Such as the following:-

- ❖ Unlimited access to international trade.
- ❖ Enhanced risk taking skill.
- ❖ The governments of nations have repealed those restrictions
- ❖ Technology and developments have spread worldwide.
- ❖ Support for technologies and developments.
- ❖ Promotion among nations of healthy competitions.
- ❖ Increased consideration of government funding for foreign trade.
- ❖ The development of other national and international institutes among the nations of the world to support industry.
- ❖ Specialization advantages.
- ❖ Social and cultural development.

## **CONCLUSIONS**

The way of transforming developing countries into developed nations is rural entrepreneurship. In the sense of generating profitable jobs and reducing the widening inequalities between rural



and urban areas, the promotion of rural entrepreneurship is extremely significant. The growth of rural entrepreneurship will contribute to the monitoring of rural development programmes by providing the right information at the right time, providing timely and sufficient credit and continuous motivation for bankers, union leaders and voluntary service organizations. It is therefore very important that the potential challenges, opportunities and benefits of rural entrepreneurship be properly identified in order to bring economic development to the region. It is clear that encouraging rural entrepreneurship is an opportunity for the future generation of rural people to start new and demanding businesses to tackle rural unemployment problems.

### **Recommendations for Development of Rural Entrepreneurship:**

- ❖ In order to make local conditions simpler, policies should be flexible.
- ❖ In economic, social and environmental terms, the essence of the enterprises to be developed in rural areas must be conducive to those areas.
- ❖ Consistency and alignment with regard to the choice of rural business locations should be in place.
- ❖ The government should provide rural entrepreneurs with separate financial funds.
- ❖ The department of concern should provide everything they need with special infrastructure facilities.
- ❖ In the local & foreign market, rural entrepreneurs should be more competitive and successful.
- ❖ Government should provide facilities for infrastructure, warehousing, and marketing and assist rural entrepreneurs to export their products abroad.
- ❖ In order to take up entrepreneurship as a profession, rural young people must be inspired.

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