

Challenges of Rural Entrepreneurship in Bensa Woreda, Sidama Zone

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Abstract

Currently, there has been a growing interest in small rural business development and entrepreneurship as conduits for accelerating job opportunities-for the youth and for poverty reduction. Despite the policy recognition, the economic performance of the rural entrepreneurs or enterprises is not ground-breaking. This might not be without any factors that daunting the development of the rural entrepreneurs to make their due contribution to the development of their community. Hence, this study was undertaken in order to assess common militating challenges of the development pace and fate of rural entrepreneurship, to trace out the opportunities open to start new businesses and expand the existing ones and to examine the prospects of rural entrepreneurship in order to achieve the desired objectives the study both qualitative as well as quantitative methods were employed. From the total of 503 entrepreneurs in the selected Kebeles, 125 samples were selected using multistage sampling technique. In order to gather data from the respondents, structured questionnaire and unstructured interview were employed as instruments of data collection. The data collected through questionnaire was analyzed quantitatively and to analyze the interview data qualitative approach was applied. After the data analyzed carefully, it was found that, the rural entrepreneurship in the study area conditioned by different business environment factors which are either internal or external to the businesses. Personal traits of business owners and managerial competences and skill related deficiencies are among internal factors affecting their success. Whereas market factors, economic factors, political factors and social factors were among the challenges external to the business setting. In order to make them a true catalysts of rural development, rural entrepreneurs themselves should be vigilant of the existing opportunities and make attempt to change opportunities into business, government should also play a primary role in solving its internal limitations that hinder the possibility of rural transformation through rural entrepreneurship and different bodies i.e. media, NGOs should take part in promoting rural entrepreneurship.

Keywords: Challenges • Opportunities • Prospects • Rural entrepreneurship

Introduction

Presently, entrepreneurship is typical global phenomena attracting the attentions of political leaders, scientists, and social workers regardless of their regional origins of developed and developing nations. Entrepreneurial activity by far is very important for global market well-being and the economic dynamism which favors the potential entry level of new venture creation that stimulates competition; as such creates economic growth [1].

This is mainly because the entrepreneurs with their ability to scan analyze and identify opportunities in the environment, to transform them into business proposition through creation of economic entities and through efficient and effective utilization of national resources. Thus, they act as catalysts for economic development and agents of social transformation and change [2]. It is therefore that Joseph Schumpeter argued that the rate of economic progress of a nation

depends upon rate of innovation which in turn depends up the on rate of increase in the entrepreneurial talent of the population. Development does not occur suddenly as a natural consequence when economic conditions in some sense are right. A catalyst is needed which results in entrepreneurial activity to a considerable extents [3]

Accordingly, entrepreneurship is recognized as fundamental to regional economic development, and it has been suggested that entrepreneurship policy should pay more attention to the various dimensions of different regions [4]. This is mainly because the areal economic performance is dependent on how the entrepreneurial the area's economy is. The role of entrepreneurship could not be undervalued in rural development where the majority of world's poor reside and poverty has stubbornly resisted a variety of attempts at mitigation.

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Received: 04-Jul-2022, Manuscript No. IJEMS-22-0001-PreQc 22; **Editor assigned:** 07-Jul-2022, Pre QC No. IJEMS-22-0001-PreQc 22 (PQ; **Reviewed:** 28-Jul-2022, QC No. IJEMS-22-0001-PreQc 22; **Revised:** 01-Aug-2022, Manuscript No. IJEMS-22-0001-PreQc 22 (A; **Published:** 08-Aug-2022, DOI: 10.37421/2162-6359.2022.12.638

According to Lyons, the latest strategy for addressing this problem is the encouragement of emerging “home-grown” enterprises in rural communities. The expectation is that these new ventures will at least provide jobs or at least self-employment; will remain in the areas where they were spawned as they grow; and will export their goods and services outside the community, attracting much-needed income. Thus, sustainable rural development is achieved where and when unemployment and poverty situations are alleviated through context-specific and ecologically-sound community level initiatives. And for realization of significant economic growth and development, rural people’s potentials for entrepreneurship need to be unlocked in order to lift them out of poverty.

Due to this importance, rural development is more than ever before linked to entrepreneurship. Institutions and individuals promoting rural development now see entrepreneurship as a strategic development intervention that could accelerate the rural development process. Consequently, for many development agencies rural entrepreneurship is seen as an enormous employment potential. Among politicians it is viewed as the key strategy to prevent rural unrest. Farmers see it as an instrument for improving farm earnings; and women see it as an employment possibility near their homes which provides autonomy, independence and a reduced need for social support [5,6].

Furthermore, business-oriented operations in rural areas undoubtedly means that addressing the factors that hold back rural territories, such as the low incomes and investment in such areas, the migration and aging of the population, limited investment in science and technology, the low levels of education of some of the actors, the levels of linkages/isolation and poor infrastructure [7].

Subsequently, in recent years there has been a growing interest in small rural business development and entrepreneurship as channels for accelerating job opportunities-for the youth and for poverty reduction. This holds true particularly in Africa, where the youth bulge is challenging policymakers to generate jobs for an additional millions of people who are expected to enter the labor force. This by itself enforces to accept entrepreneurship as the central force of economic growth and development. In connection with this, policymakers in Sub-Saharan Africa (SSA) become well aware of the positive role that productive entrepreneurship and Small and Medium-sized Enterprises (SMEs) can play in development of their economies. This is with productive role that SMEs can create jobs, broaden the tax base, diversify risks, innovate and adopt new technology [8,9].

It seems from these standing points that the current government of Ethiopia has been piloting entrepreneurial activities as outlets of unemployment and poverty problems both in rural and urban areas. However, still there are urban centered orientations on the promotion of entrepreneurial activities as an economic force.

In the case of Bensa woreda, the number of rural enterprises has been progressing since its launch of 2005 E.C with 644 people. The number almost doubled in the year of 2006 E.C to 1119 and which was doubled into 2008 in the year 2007 according to the data of Bensa woreda Office of Rural Entrepreneurship Promotion and Job Creation. The numerical values indicate that there is a growing exponential proliferation of rural enterprises. However, this doesn’t mean that the statistics definitely explains the performances and the challenges impeding the rural entrepreneurs. Despite of their quickly

doubling numeral progress, the rural entrepreneurs in Bensa woreda are facing different problems and still the opportunities for their development have not yet been dried out.

Hence, based on this background information the study was conducted to analyze the challenges, opportunities and the prospects of entrepreneurship in rural areas.

Materials and Methods

This part of the study embraces background of the study area, research method, research design, sampling and sampling techniques, sources of data and instruments of data collection, methods of data analysis and presentation.

Research methods

The study employed both qualitative and quantitative methods combined with creative and logical manner in order to capture full information to address research question. According to Sahilu D and Bekele T, using mixed method avoids pitfalls of using single methods and to take their complementarities.

Research design

This particular research was conducted in BensaWoreda of Sidama Zone. The reason why the researcher selected Bensa Woreda is that, first, the researcher resides in the Woreda and expected to get all-important information and this could lead the researcher to identify the woreda purposively. Moreover, there are different rural based entrepreneurial activities in BensaWoreda however, there is no researches undertaken in the study area about the challenges they are facing, opportunities accessible to them and their possible contribution for rural development. Hence, this study is mainly intended to investigate the challenges, opportunities and prospects of rural entrepreneurship. To get relevant and sufficient information about the problem, and to gather variety of information related to the problem under consideration descriptive survey method was employed. As Creswell, noted descriptive method enables to collect diversified type of data which best provide an understanding of the research problem. Therefore the researcher believes that the chosen method is preferable to deal with a problem under the study.

Types and sources of data

For this study both primary and secondary data were employed. The sources of primary data for this study include rural entrepreneurs who are in business activities, local government officials specially coordinators of Rural Entrepreneurship and Job Creation, coordinators of Omo-micro Finance Institution at Bensa woreda, whereas the sources of secondary data include manuals, reports of Woreda officials to Zone and region, the business plans of entrepreneurs and their reports to lenders and research works in relation with the problem under investigation were used as sources of data [9,10].

Results and discussion

This part deals with analyzing and presenting the data collected through appropriate instruments and methods. Accordingly, in the first section, the demographic profiles of the respondents were analyzed using frequency, percentage and graphic representation. In

The second section, the business and financial profiles of respondents were analyzed applying the same method of analysis. In the third section, different factors affecting the success of rural entrepreneurs were analyzed using mean and standard deviation. In the fourth section, the possible opportunities to start new business in rural area were analyzed using aforementioned descriptive statistics (mean and standard deviation). Finally, the prospects of the rural entrepreneurship were analyzed using the same method of analysis.

From the total of 125 questionnaires, 120(96%) questionnaires were responded for analysis. Thus, the analysis was done on the basis of adequacy of the responded data.

Even though; rural entrepreneurs are assumed to play very important role in the development of rural (national) economy they face various challenges in day to day operation. Thus, these major challenges tackling rural entrepreneurs are assessed in terms of personal, economic, market related, social, political, and managerial and skill related factors as follow;

The entrepreneur's characteristics (traits, values, attitudes) are often the most influential factors related to the performance of an SME and its competitiveness. Though; there is no one all-encompassing personality profile, it is widely thought that there are certain characteristics that are necessary to meet the tasks and challenges of new venture creation and without which the entrepreneurial process limps and eventually atrophies. Accordingly, the propensity of the respondents on the subsequent personal factors was assessed as follow in Table 1.

Table 1. Sample size determination (carvallo).

Population size	Sample Size		
	Low	Medium	High
51-90	5	13	20
91-150	8	20	32
151-280	13	32	50
281-500	20	50	80
501-1200	32	80	125
1201-3200	50	125	200
3201-10000	80	200	315
10001-35000	125	315	500
35001-150000	200	500	800

It was observed from the Table 1 that, most of respondents agreed that fear of the risk as most dominant problem with mean value 4.02. Comparatively, the respondents agreed that lack of cooperativeness was the major personal challenges with an average agreement of 3.70. Similarly, the respondents confirmed their agreement with mean value of 3.70, saying that lack of devotion for time is one of the challenges that affect their entrepreneurial participation. Again lack of self-confidence to their goal is a challenge that setting back them with average value of 3.62. Still, they agreed that poor work habit and lack of competitiveness with a mean value of 3.54 and 3.52 respectively as confronting personal related problems. Finally, lack of sense of urgency was also ranked as one of the prevailing challenge for the respondents as they agreed on it with a mean value of 3.46.

In contrast to this respondents undecided on the following factors; lack of independency, lower need to be their own boss, weak determination to their success, lack of energeticness, lack of responsiveness to change, not being driven by goal and reduced honesty and trustworthiness

The interview data from Bensa Woreda Office of Rural Entrepreneurship Promotion and Job Creation confirms that, the entrepreneurs especially "organized by government had a tendency of counting their business as the due work of government. As an officer from this office said "they borrow money in group and immediately distribute it with each other than doing on a cooperative projects." This causes failure of the business operation. Consequently, others pretend to become into a business engagement assuming it as unprofitable.

Hence, it is inferred that the rural entrepreneurs in the study area were being impeded by different personal challenges that negatively stifling their possibility of failure. The conclusion statement made by Heena Kothari supports this that entrepreneurial qualities of owner are the determinant factors of the entrepreneurial performances of the small and micro-enterprises.

Market related factors

The entrepreneurial success of businesses depends up availability and accessibility of markets for their products. Discerning this, Shane argued that choosing a market segment with potential market growth is a factor influencing the success of SMEs. Moreover Zin supports this saying marketing through good networks with different market outlets helps in grabbing market opportunities and which is crucial for the success of rural entrepreneurs. Hence, the market related factors were analyzed in terms of accessibility of inputs, markets for their products, availability of infrastructures to take products into the market.

As the data of the states, the respondents agreed that infrastructures to take their products to the market centers were unavailable with a mean value of 4.08. The respondents also agreed that the remoteness of the market place from their business with a mean value of 3.90 and this confirms with the finding of Andrew that, distant markets are among the top most challenges for rural business success. Furthermore, lack of expertise in marketing, price or market fluctuation, middlemen exploitation, lack of proper market information, and the problem of the products homogeneity were found to be major market related challenges. With regard to lack of expertise in marketing Kirabira Andrew found that many rural entrepreneurs don't have expertise in marketing.

The study of Dilip supports that middlemen exploit rural entrepreneurs and which daunts their successfulness. Moreover, the study of Progress Hove and Chikungwa Tarisai proved that the minor fluctuations in markets can topple a newly established small/micro (agribusiness) firms, particularly where it is reliant on a small number of customers. The rural entrepreneurs are heavily dependent on middlemen for marketing of their products who pocket large.

Social factors

The success proportion of rural entrepreneurs is not free from the conditioning of social factors. The concept of entrepreneurship is not common to every culture or society. The value given for creativity and

innovation are not always valued traits in some societies, the entrepreneurial climate to take lessons, the level of education, the family back ground pose the great influence on the performances of businesses. In addition to this, socio-cultural conditions can detain or augment the country's stage of development. These social conditions and aspects of the country's culture may create environmental goodwill that benefits SMEs or may present pressures that stifle entrepreneurship. Again authenticated the impacts of social factors on SMEs as it was common to hear the bad names such as "buda", "shemane", "ketkach" and others given to different entrepreneurs in Ethiopia. These are good indicators of socio-cultural influences on individuals running their own business [10,11].

As well, the moves of rural entrepreneurs in Bensa Woreda could not be free from the pushes of such factors. Therefore the responses of the owner-managers incorporated in the study ranked the social factors.

As the data of the reveals that the respondents participated in the study agreed with a mean value of 3.75 that there are no efficacious enterprises in the study area from whom the beginners may share lesson. This makes them unlucky to what Nasser stated that societies which have the support of successful business people that mentor young entrepreneurs to ensure that they learn by experience and develop sound business principles can facilitate entrepreneurship role models and inspire confidence as well as provide mentorship through advice and contacts. The study of A Agbenyegah confirms that lack of small business stories and role models as among bellicose challenge for rural entrepreneurs.

This was also supported by the agreement of the respondents saying the idea of entrepreneurship is not well implanted. Which also resulted in lack of good outlook for their good among the local people of the study area for the products of the entrepreneurs as they agreed with an average value of 3.67. This complies with the finding of Bahareh Ansari that the rural communities have a little entrepreneurial experience. Likewise, the respondents agree that lack of family support with a mean of 3.59. This confirmed by the study of Brijesh Patel and Kirit Chavda, that many rural families provide little support for their children to opt the business of their choice [12,13].

The respondent's average values on the contribution of social linkages for their business and the media's role in the promotion the products and the efforts of rural producers showed the undecided position of the participant business owners.

Contrary to this, the respondents disagreed that the localized purchasing of the customers was not an impediment of their business.

Thus it may be inferred that the business operation and successes of the study area were under a dim social shadow of rural attitudes and non-entrepreneurial social climate [14,15].

Conclusion

The goal of achieving sustainability of rural areas calls for more involvement in the local area and for an increase of the use of local potential. Thus, the integration of entrepreneurship into rural areas has become one of the most important issues of rural development plans. However, the business success of rural entrepreneurship has

been contained by both internal as well as external factors that inhibit them.

Internally, skill related deficiencies among business owners were top ranked factors limiting the successfulness of rural entrepreneurship. They were by far and large less skilled and had no access to training of boosting their entrepreneurial faculties. In addition to this, an entrepreneurial contribution of rural businesses threatened by the personal traits and characters of business owners. In addition, the success of rural entrepreneurship was hampered by the deficiencies of managerial capacity of owners that could be manifested through poor planning, little ability of making an entrepreneurial friends and working according to plan, lack of long-term profitability goal and risk minimizing strategies.

The challenges to rural business development were not hanged to internal ones to the businesses. Furthermore, the rural entrepreneurship development has been incarcerated by the following external threats. From external challenges economic factors like, unresponsiveness of the loan delivery, lower purchasing power of rural communities, lack of initial saving account to borrow and debt financing constrained the economic contribution rural entrepreneurs in the study area.

Moreover, the rural development through rural entrepreneurship was mired by institutional factors. It is to state that the institutional support to be delivered for rural entrepreneurs can determine their productivity. In this regard, the rural entrepreneurs in the study area were strained by lack of condition free loan for beginners, follow-up and supervision of local government and due to corrupt procedures. Still, the study accentuated that, rural business success is not free of the influences of social climate of rural communities. This is to state that, the social settings and aptitude of rural people, the outlook rural people towards the products of local enterprises and implantation of an entrepreneurship as an economic force matters how fast and much rural businesses would develop. Finally, the study assured market related as one of the challenges. From the market related challenges, paucities of infrastructures to take the products in to market centers, inadequacies of marketing expertise of rural businesspersons, insurgent market fluctuations, and middle men exploitations were some of the market related challenges.

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How to cite this article: Barako, Basha Bekele. "Challenges of Rural Entrepreneurship in Bensa Woreda, Sidama Zone". *Int J Econ Manag Sci* (11): (6) (2022) :638