

## How can Small Rural Businesses with Emphasis on Entrepreneurship be promoted?

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While promoting rural economic enterprises and businesses can contribute to create and strengthen entrepreneurship, this as a crucial strategy will accelerate rural development process. Through extending these businesses and strengthening entrepreneurship among rural people proper solutions can be found to combine resources both inside and outside the village. It can also assist to provide both prerequisites to improve quality of rural personal and social life as well as necessary tools for sustainable economy and environment for rural people. This study was an attempt to explore some solutions for creating, strengthening and promoting rural small businesses in Hamedan's rural areas. To achieve this, a qualitative methodology through interviewing with 25 experts in the area of rural development was used. A summarized content analysis technique also was used to analyze the qualitative data. The results showed the solutions to develop rural small businesses include implementation of training programs for improving rural skills and abilities especially in technical and economic activities, creation and enforcement the marketing networks, preparation of facilities and necessary possibilities such as banking, insurance and transporting facilities.

**Keywords:** Rural business, Small and medium enterprises, Rural development, Entrepreneurship

### 1. Introduction

Small and medium enterprises (SMEs) are a source of employment, competition, economic dynamism, and innovation; they stimulate the entrepreneurial spirit and the diffusion of skills. Because they enjoy a wider geographical presence than big companies, SMEs also contribute to better income distribution (Panitchpakdi, 2006)

For developing and transitional economies in particular, SME development maintains the growing attractiveness of being a key component of wider economic development and poverty reduction. The SME community is seen as a major and sustainable generator of employment and income (and therefore tax revenues) for citizens working outside of the State sector. In the case of transitional economies, although many State-owned enterprises can also be SMEs, SME development is broadly synonymous with private sector development. In developing countries, SMEs can also serve as a useful bridge between the informal economy of family enterprise and the formalized corporate sector (Panitchpakdi, 2006)

There is also a tendency to believe that a vibrant SME sector helps promote competition and a

culture of entrepreneurship, which are both conducive for economic growth. Further, SMEs are often seen as being nimble and agile, and more willing to innovate than their larger and more well-established peers, as they navigate the frontiers of business activity (ESCAP, 2007).

Promoting micro and small businesses are increasingly seen as a means of generating meaningful and sustainable employment opportunities, particularly for those at the margins of the economy such as the poor and rural people. Micro, small and medium-sized enterprises have been recognized as a crucial way to promote rural economic empowerment and adopted as a development strategy by many institutional and regional players to create new jobs for developing countries (ESCAP, 2007).

Micro, small and medium-sized businesses offer strong benefits for alleviating poverty in rural areas and for rural development. In low-income countries, the rural population accounts a considerable proportion of the total population. Therefore, support of economic activities in rural areas is essential (United Nations, 2006). In this vein, entrepreneurship contributes to the economic



Abstract

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empowerment of poor people living in rural areas. By joining isolated and scattered resources, it can help marginalized farmers to acquire opportunities for entrepreneurship and to strengthen capacity for self-help. Therefore, providing effective support for small businesses is crucial to promoting economic development. This includes measures to facilitate the creation of new small businesses and training. The establishment of business incubators is another important way of helping to ensure the survivability of small businesses (European Commission, 2004).

It is important, then, to recognize that as yet there is no hard empirical evidence to support the assertion that how can be promoted rural small enterprises or businesses. Moreover, some studies have been done about the importance of promoting small businesses. In a study Hart and Hanvey (1995) have dealt with the role of small and new enterprises in creating job. The research conducted by Voulgaris et al (2005) showed that small and medium sized enterprises had a dynamic role for net production of industry sector in Greece. According to Broersma and Gautier (1997), small and big enterprises have different behavior in creating job so that the employment flow in small enterprises is more than big enterprises.

While promoting rural economic enterprises and businesses can contribute to create and strengthen entrepreneurship, this as a crucial strategy will accelerate rural development process. Through extending these businesses and strengthening entrepreneurship among rural people proper solutions can be found to combine resources both inside and outside the village. It can also assist to provide both prerequisites to improve quality of rural personal and social life as well as necessary tools for sustainable economy and environment for rural people. This study was an attempt to explore some solutions for creating, strengthening and promoting rural small businesses in Hamedan's rural areas. To achieve this, the following purposes have been reviewed.

- 1) Skills and abilities needed for creating rural small businesses,
- 2) Possibilities, facilities and resources needed for starting-up rural small businesses, and
- 3) Methods for boosting, promoting and developing rural small businesses through entrepreneurship.

## 2. Materials and methods

A qualitative research has been used by conducting a case study approach. Having experience (Polkinghorne, 1989) and closeness to the target phenomenon (Wretz and Van Zuuren, 1987) are considered the main criteria for selecting the cases in qualitative research. In this study the cases have been

selected in terms of closeness to subject including rural development experts in universities and Jihad-Agriculture Organization in Hamedan. Data collection method was done through a semi-structured interview. In this regard first three main topics were developed as interview guide. These were: skills and abilities needed for creating rural small businesses, possibilities, facilities and resources needed for starting-up rural small businesses and methods for promoting and developing rural small businesses.

After identifying the three main topics the process of data gathering was started from target samples by face-to-face interview. A snow ball sampling method was used to select samples for interview process. The data collection process was conducted to obtain complete and comprehensive data, and theoretical saturation was attained by 25 samples. Qualitative data was analyzed by using content analysis technique. to achieve this, data were first written and coded in terms of key words in contexts and then common items were categorized into new subjects. In the "summarizing content analysis" technique, items with the same concepts and ideas are reduced (first reduction) and common ideas are summarized and categorized (second reduction). The main idea of this technique is the reduction and summarization of the text (Flick, 2006). According to DIIA (2007), with larger samples (more than 20 responses), the number of respondents who expressed the same ideas are provided by using percentages. In this research 25 samples were selected and the common ideas were reported in terms of frequency and percent.

## 3. Results and discussion

The interviewees' age ranged between 32 to 49 years with an average of 38 years. Forty percent of samples were male and 60 percent were female. About the years of job experience among interviewees, the results showed eight years of experience in average. About level of education, 51 percent of the interviewees were B.Sc holders, 36 percent M.Sc and 13 percent Ph.D.

**3.1 Findings from interview about the skills and abilities necessary for the creation of rural small businesses:** Interviewees were asked to express their ideas about the skills and abilities necessary for creation and development the rural small businesses. For data analysis, as mentioned in research methodology, a summarizing content analysis method was used. After summarizing data, some common items were explored and categorized in table 1.

### 3.2 Findings from interview about the facilities and resources necessary for setting up the rural small businesses:

Second interview question was about facilities and resources necessary for setting up the small rural businesses. Interviewees were asked to express their commons in this regard. After data gathering, a content analysis process was used and common topics were extracted with considering their frequencies. More informations are given in the table 2.

### 3.3 Findings from interview about methods of promoting and developing the rural small businesses:

Third question was about how can be promoted and developed the rural small businesses through entrepreneurship. Therefore, interviewees were asked to express their answers to this question freely. Frequently-answered items were first extracted and then categorized into common topics in terms of percent and frequency. Common topics are presented in table 3.

### 3.4 Discussion

Now, rural development deals with entrepreneurship phenomenon more than past. Institutions and personalities promoting rural development know entrepreneurship as a strategic intervention that can accelerate rural development process. But it seems that they all agree on the need to develop the rural economic enterprises. Development agencies know rural entrepreneurship as a major employment force, politicians know it as a key strategy for preventing unrest in rural areas and farmers know it as a means for improving their income. Thus, from the point of view of all these groups, entrepreneurship is a means for improving individual, family and social life quality and is a tool for stabilizing healthy environment and economy. In

existing conditions, an entrepreneurial orientation towards rural development, it is accepted that entrepreneurship is a central force to achieve economic growth and development. Without it, other development factors waste. However, accepting this point cannot lead to rural development and the promotion of economic activities. Entrepreneurship in rural areas seeks unit combination of resources, both within and outside the agricultural activities. There is variety of examples of non-agricultural applications such as: tourism, blacksmithing, carpentry, spinning and examples of diversification to activities less related to agriculture in water resources areas, forest lands, building, existing skills and local capabilities that all fit rural entrepreneurship. Entrepreneurial combination of these resources is manifested in activities such as: tourism facilities, sports and leisure, technical and vocational education, retail and wholesale, industrial activities (in engineering and master's level), consultation services, production with high value-added such as meat, milk, wood products and other off-farm activities.

Rural entrepreneurship has fundamentally no difference with urban entrepreneurship except that it should be thought in rural environment. Petrin (1994) defines rural entrepreneurship as combination of three following propositions:

1. Force that mobilizes other resources to meet an unanswered demand of market.
2. Ability of creating something from nothing.
3. Process of creating the value using mixing unit set of resources along exploitation of one opportunity.

Table 1. Skills necessary for creation the small rural businesses

Priority	Common topics	Frequency	Percent
1	Technical skills for different businesses	23	19.8
2	Economic skills (financial accounting, marketing, etc.)	21	18.2
3	Social skills	20	17.2
4	Communication skills	18	15.5
5	Theoretical and practical skills about business	18	15.5
6	Creativity and entrepreneurial skills	16	13.8

Table 2. Facilities and resources necessary for set up rural small businesses

Priority	Common topics	Frequency	Percent
1	Marketing network Facilities	22	17.6
2	Financial and funding facilities	21	16.8
3	Social support facilities (enterprises, cooperatives, insurance)	19	15.2
4	Management and service facilities	18	14.4
5	Transport facilities	17	13.6
6	Inter-village resources and potentials	15	12
7	Information and Communication facilities (media, Internet, telecommunications)	13	10.4

Table 3. Methods for promoting and developing the rural small businesses through entrepreneurship

Priority	Common topics	Frequency	Percent
1	Developing entrepreneurial skills and abilities in the village level	24	22.6
2	Rural and agricultural planning and policy making	21	19.8
3	conducting entrepreneurship education programs	20	18.9
4	emphasis on regional and local planning	17	16
5	Attention to infrastructure and rural development	13	12.3
6	Providing necessary facilities in order to improve rural income status	11	10.4

What it can be used to define rural entrepreneurship is: 'innovative use of rural resources and facilities along capture of job opportunities'.

This type of businesses is in small scale with respect to small size of villages and often is between 10-20 individuals and has specific performance with respect to predominance of agricultural workshop activities. Rural businesses are changed in the type with respect to now changes and entering into information community and types of services, production, industrial businesses and information technologies are seen in it.

#### 4. Conclusion and Recommendations

According to the results of content analysis of skills and abilities needed for creating rural small businesses, the following skills can be noted as important: technical skills, economic skills, social skills, communication skills, educational skills, and entrepreneurial skills. Suitable marketing networks, available banking and funding facilities, social security and insurance enterprises, telecommunication network, and transporting facilities were found as the facilities and resources needed for starting-up rural small businesses.

Eventually some solutions were identified due to boost and develop rural small businesses include promoting skills and abilities of rural people, changing trends of policy makers and planners towards rural issues, implementing training and technical programs for rural peoples, shifting from current planning system to local or regional planning system, and removing the gap between rural and urban in terms of standard of living, facilities and equipment. Entrepreneurship is generally one of the factors affecting rural development. Entrepreneurship can play effective role in improving economic and subsistence status of the rural through creating new employment and income opportunities. Applications of entrepreneurship in rural areas are very diverse and abundant. In fact, rural environments have many inexperienced areas for entrepreneurial and venturing activities. These include agronomy, gardening, animal and poultry husbandry, forestry, watershed, environmental issues, rural industries, and rural tourism. All attempts and activities which can

directly and indirectly contribute to create job, increase income, and sustainable use of resources in rural regions are placed in rural entrepreneurship areas. In general, one of the effective factors in rural development is entrepreneurship, because entrepreneurship has effective role in improving rural economic and livelihood status with creation of new occupation and income opportunities.

Because rural entrepreneurship has a very diverse and widespread activities and areas, it is essential that rural entrepreneurship activities are critical developed. Some rural businesses include cultivation, gardening, breeding of domesticated animals and birds, beekeeping and forestry activities, watershed, rural industries, rural handicrafts, and rural tourism are the most important areas in appearing entrepreneurship. In fact all activities and measures that can directly and indirectly help to create occupations and increase income generally improve life quality in rural areas

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