

Research Article

Sustainable Entrepreneurship in Rural Areas

¹Bahareh Ansari, ¹Seyed Mehdi Mirdamadi, ²Azita Zand and ³Masoumeh Arfaee

¹Department of Agricultural Development, Science and Research Branch, Islamic Azad University, Tehran, Iran

²Department of Agriculture, Islamshahr Branch, Islamic Azad University, Islamshahr, Iran

³Department of Agriculture, Ashtian Branch, Islamic Azad University, Ashtian, Iran

Abstract: Rural entrepreneurship can be considered as one of the solutions to reduce poverty, migration and develop employment in rural environments. In this study, the necessity of sustainable entrepreneurship, the effective factors and the barriers to entrepreneurship in rural area will be described. In this regard, a model has been considered to create a sustainable rural entrepreneurship area by establishing a logical connection between the effective factors in entrepreneurship. Some of the most important challenges that can be pointed out are: lack of access to capital and facilities, problems in supplying goods and services, emphasis on an industry or particular business, low possibility risk in villages and lack of supporting organizations. Review and analysis of rural entrepreneurship in order to achieve sustainability. This research in implementation process is qualitative and in objective is descriptive and then analytic. The results indicate that comprehensive development can never be obtained without rural development and in order to achieve this goal the best investment is creating a context for sustainable entrepreneurship and its promotion in rural area since the entrepreneurship has this ability to identify resources, opportunities and problems available in the context while devising new solutions to move toward developing of different aspects of village and environment.

Keywords: Entrepreneurship, rural areas, rural development, sustainable entrepreneurship

INTRODUCTION

One of the most important solutions for sustainable rural development is rural entrepreneurship development. Today, entrepreneurship as a strategy in development, growth and prosperity of human societies has converted to a replacement through which all factors, resources and facilities of a community spontaneously and with exposure in an evolutionary process has been prepared in order to achieve high social ideals for being the origin of positive economic-social impacts. Essentially, there is no difference between rural and urban entrepreneurship except that rural entrepreneurship should be considered in rural area (Shafeghat *et al.*, 2008). For this reason, it is necessary to revise policies and strategies so that the village can perform well its position in suitability of supplying food for citizens, protecting vital resources and sensitive natural ecosystems, maintaining urban people rehabilitation through tourism and leisure activities in villages and preserving cultural and natural heritages. One of the experienced ways in the world to revise policies is, regarding entrepreneurship which is called in development texts "organizing and laying out

the structure of rural economy" that means the structure and function of villages especially in today's conditions provide and underlie benefits for small and entrepreneurial business. In fact, the land and environment of village in today's condition provide new businesses such as tourism, leisure times, cultural heritage management and producing quality food which are the main structures of small and entrepreneurial businesses.

Entrepreneurship as a socio-economic phenomenon affected by different factors. Economic conditions have been known the cause for entrepreneurship by some experts, they believe that entrepreneurship is the major force of economic development in village and is along with change, innovation and production services (Markley, 2005). Entrepreneurship is one of the activities which can resolve many major challenges (such as unemployment, low income, lack of economic diversity and etc.) in rural areas and also has positive impacts on other aspects of villagers' human life (Faraji *et al.*, 2011). Therefore, in this study first the characteristics and problems of Iran's rural population have been investigated and then the importance of sustainable entrepreneurship in villages, requirements,

Corresponding Author: Bahareh Ansari, Department of Agricultural Development, Science and Research Branch, Islamic Azad University, Tehran, Iran, No 7, Ramsar Dead End, Sadist Reed, Valiasr Cross, Tabriz, Iran, Tel.: 0098-9355746603

This work is licensed under a Creative Commons Attribution 4.0 International License (URL: <http://creativecommons.org/licenses/by/4.0/>).

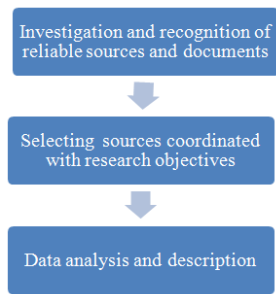


Fig. 1: Data collection process model

effective factors, barriers and limitations available in rural entrepreneurship studied.

METHODOLOGY

This study in implementation process is qualitative, in objective descriptive and then analytic and in results is also developmental. Library and digital studies have been applied to collect information from resources and reliable documents (Fig. 1). Research scope in this study is the investigation of sustainable rural entrepreneurship.

Questions:

- How can sustainable rural entrepreneurship as a strategic factor have a role in development?
- What are the effective factors, barriers and constraints available in rural entrepreneurship?

Objectives:

- Identifying and investigating the mechanism of rural entrepreneurship and its development for sustainability
- Providing appropriate solutions for development of sustainable rural entrepreneurship

THEORETICAL FOUNDATIONS

Problems of rural populations: Scholars and policy makers in different countries pay special attention towards rural development and resolving their problems. International experts believe that separate from macro policies and macro strategies for economic development, the development of villages and poverty eradication governing them should also be particularly and clearly considered (Mirza and Reza, 2004).

To mention the importance of entrepreneurship in rural areas, some of the most important problems in rural populations should be first pointed out:

- Widespread poverty in rural areas
- Inequality within rural population
- Rural migrations

- Evacuation of villages because of continuation and escalation of migration
- Environmental vulnerability of villages against natural hazards
- The problem of unemployment and employment in rural areas
- Deprivation in rural populations especially low level of social welfare
- The irregularity of settlement system in villages (Rezvani, 2005)

In order to resolve problems in rural populations, entrepreneurship is considered as one of the effective strategies in the present age; a model to achieve the objectives of socio-economic development.

Emphasis on sustainable rural entrepreneurship:

Today, entrepreneurship has taken its place in all development debates and many researchers are trying to investigate entrepreneurship development in relevant departments according to their specialized subject. Perhaps, rural development is one of the most important sets which have always paid attention to entrepreneurship discussion.

The most important topic in debates about rural development is non-farm employment creation and in this regard empowering the villagers is very important.

Generally, the role of entrepreneurship in rural development is as follows:

- Villagers access to the required goods and services
- Economic growth of villages
- Reducing immigration to cities
- Promoting the level of social security and welfare in villages
- Encouraging to create new business
- Encouraging to develop existing jobs

Entrepreneurship development in village:

Entrepreneurship development in village requires emphasis on three basic prerequisite as follows:

Entrepreneurship culture: Entrepreneurship culture is a kind of social culture to encourage entrepreneurial behavior. A few basic goals are followed in development of entrepreneurship culture:

- Creating the conditions for training rural entrepreneurs
- Encouraging villagers to active participation in rural entrepreneurship plans
- Encouraging governmental and nongovernmental organization to support entrepreneurial activities in village (Shafeghat *et al.*, 2008)

Training: Establish and administer an active economic unit in villages requires familiarity with a wide range of

knowledge and skills that rural youths often have low level of skill in this area. One of the major policies of entrepreneurship development in villages is holding entrepreneurship training courses and providing counseling in this regard. Four groups of skills required by entrepreneurs in these educational programs are emphasized:

- Scientific and technical skills based on the type of industrial activity
- **Management skills including:** Financial management, marketing, administrative and personnel affairs
- **Entrepreneurial skills including:** Ability to recognize and use of new opportunities in the market and provide innovative solutions to deal with challenges
- **Personnel skills including:** Self-reliance, self-confidence, creativity, responsibility

Staffs who achieve higher level of required skills can transform their companies from a fledgling company to a developing and competitive company in global arena (Shafeghat *et al.*, 2008)

Development of infrastructures and superstructures: Providing access to capital particularly capital at risk, granting loan to entrepreneurs, development of transport facilities and expansion of information and communication systems, connection to information resources and public knowledge, expansion of life facilities in village and cases like these provide the conditions to develop entrepreneurship in villages. The countries in this regard, provide major policies to create entrepreneurship infrastructures; few basic policies are:

- Granting tax relief
- Supporting small and medium industries for modernization
- Encouraging small and medium industries to develop cooperation and network formation (Shafeghat *et al.*, 2008)

Effective factors on success of sustainable rural entrepreneurship: Entrepreneurial environment has been defined as an important factor in entrepreneurship development in certain areas (Gnyawali and Fogel, 1994). If entrepreneurship due to nature of multidimensional, interdisciplinary and innovation and entrepreneurs due to having simultaneous divergent and convergent thoughts are directed appropriately and necessary conditions for such persons provided, it can have various effects on different fields of personal and social life. Meanwhile, an entrepreneurship activity can be formed in rural population under different factors such as personal characteristics and motivation,

training, culture and custom, laws, policies and technical knowledge; it can have different effects in regard to behavioral, economic and social patterns and etc. Therefore, based on opportunities and obstacles facing rural entrepreneurs, these factors can lead entrepreneurs to high success. Primary emotions and motivation, excitement, enthusiasm, interest and commitment can be the key for their success (Eftekhari and Hamdolah, 2011).

By an overview, classification of economic, social, environmental and institutional factors effective on rural entrepreneurship are pointed out based on sustainable development principles which are:

Economical factors: Nowadays, rural development strategies has been revised and poverty reduction through economic growth emphasized in many national and international institutions, therefore economic development in rural areas needs new strategies which this is possible by developing entrepreneurship and enabling environmental policies (Davis, 2004).

People's attempts in rural areas to achieve economical sustainability can be increased by applying local entrepreneurs; since focusing on local economic resources through local entrepreneurship development is one of economic development methods in these areas.

In general, the main assumption in economic facing with entrepreneurship in rural areas is rational behavior of rural residents with scarce resources. In this regard, entrepreneurship is considered as a mechanism which provides the optimal allocation of resources by recognizing the strengths and future opportunities along with weaknesses and threats in rural areas (Heaton, 2005).

Therefore, capital and investors attraction in rural areas, granting loans and low-interest credits to villagers, increasing villagers' awareness toward domestic and foreign markets and consumers' requirements, diversifying productions and rural activities particularly agriculture as dominant activity, developing processing and complementary industries in rural areas and etc., should be noticed in economic aspect (Eftekhari and Hamdolah, 2011), because an entrepreneurship activity with high effectiveness leads to economic development (including employment creation, innovation activities and competitiveness) (Verheul *et al.*, 2001).

Social factors: Up to now, social and cultural factors have been the result from prejudice look at entrepreneurship, since an individual that creates new ideas has social backgrounds such as the characteristics of family, community customs, participation and cooperation, friends, relatives and neighbors which can assist in achieving success. So, Alison emphasizes on social characteristics such as existing roles in the

community, the experiences of life, family background, level of education and awareness, social class and bureaucratic organizations in forming entrepreneurial behavior (Alison, 1990).

In social regard, entrepreneurship has positive impacts and benefits in rural population because creates employment and reduces social stresses; and also provides resources exploitation and their activation for productivity. Entrepreneurship gives social benefits to the society through state which represents a kind of socio-economic development of the community. Whatever community participation in entrepreneurial activities is higher, achieving socio-economic development is faster (Behkish, 2002).

Environmental-infrastructural factors: Increasing attention to biological resources and the needs of future generation, the necessity of considering this development aspect and effective factors on development process has become more important. Thus, entrepreneurship in rural environments cannot be excluded from this case; rural populations have a close relationship with the surrounded environment because of their essence, functional and structural nature. On the other hand, agriculture is done as one of the important activities in natural environment and in an open area influenced by natural factors such as soil and climate type; consequently, consideration to environmental factors in rural entrepreneurship development and agriculturalist very important to reduce environmental hazards, proper use of resources and etc. Therefore, strengthening the use of proper models and environmental resources such as water, soil and weather; providing proper foundations and infrastructures such as electricity, road and telephone; providing technologies and new information to villagers; increasing transportation and also physical communication should be considered (Eftekhari and Hamdolah, 2011).

Institutional factors: Entrepreneurship cannot be done without considering the role of different organizations and institutions; because each activity needs a kind of organizing and organization at different levels, whether national or local. As a result, there are relationships between public sector, private sector and the activities that all lead to entrepreneurship (Maia, 2002).

Now, a combination of mentioned factors should be noticed to create effective and sustainable rural entrepreneurship and increase its effectiveness and appearance in rural environment. Accordingly, today a general and integrate look at planning shows that a flexible look at rural entrepreneurship development is more effective than prejudice look (Fig. 2).

Barriers and restrictions: Among different barriers particularly for doing sustainable entrepreneurship in

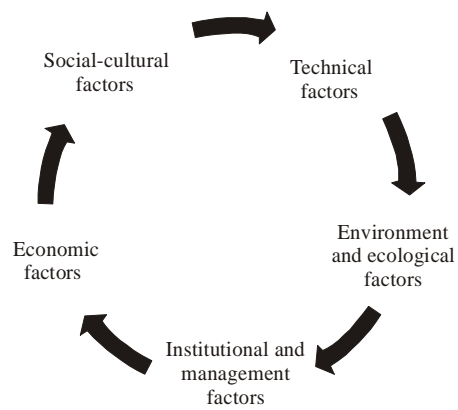


Fig. 2: Cycle of effective factors on sustainable entrepreneurship in rural areas
Review and process of research from authors

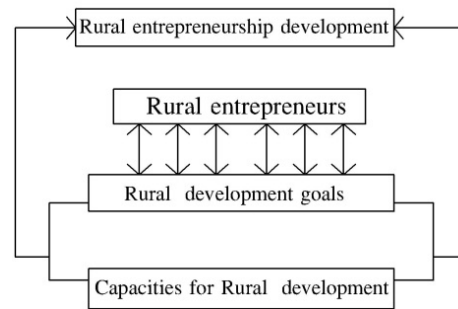


Fig. 3: Transplantation model of entrepreneurship development with rural development
Review and process of research from authors

rural areas, low level of skills, lack of financial resources, lack of information and knowledge about entrepreneurship benefits at community level are recognizable (Eftekhari and Hamdolah, 2011). Other barriers in entrepreneurship can be noted as uncertainty and ambiguity in the proceeds from entrepreneurship, the risk of losing all applied capitals and long and hard work (Fadaie *et al.*, 2010).

Totally, entrepreneurship barriers are: a culture that is not able to support entrepreneurship, long distance between market and services, gap in access to capital, reduction in network and communication opportunities and lack of industrial clusters to accelerate innovation (Markley, 2002).

Providing model based on theoretical bases for research: A model for sustainable rural entrepreneurship can be designed due to logical connection between the factors effective on entrepreneurship (Fig. 3). An entrepreneurial theoretical model is necessary to assist in developing rural communities which itself requires recognizing dependant variables and the relationship between them (Allen *et al.*, 2003).

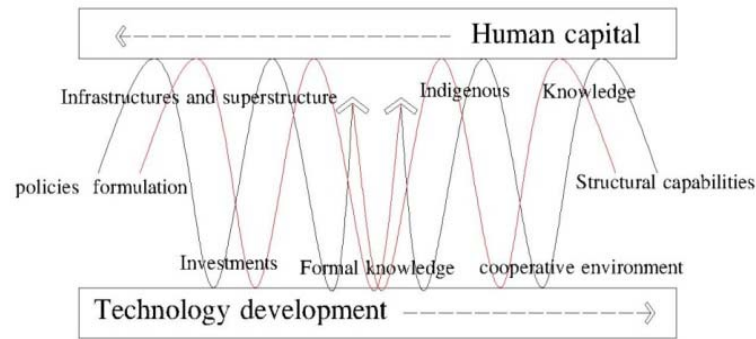


Fig. 4: Model of sustainable rural entrepreneurship (Review and process of research from authors)

This kind of entrepreneurship in rural areas will be provided with regard to technical knowledge and human capital in formal and indigenous knowledge, resources, financial capital and cooperative fields in entrepreneurship (Fig. 4).

DISCUSSION AND CONCLUSION

Creating a cooperative management area in villages can be stepped in rural development and entrepreneurship expansion. Sustainable rural entrepreneurship is a strategy for empowering and creating capacity in rural areas in order to change the current pattern of life to an optimal human pattern, reducing the gap in the city-village, creating economic, social, environmental and institutional equalities.

Integrating traditional technologies existing in rural areas with new technologies and considering a cluster attitude toward development are appropriate strategies to develop rural business and to modernize products and manufactured goods in village. The combination of approaches in settlements hierarchy structures; integrated rural development and sustainable development are the best strategies for rural development.

More value can be created and the production can be also stimulated in these areas by processing industries in villages or their surrounding areas.

These changes in economic structure of villages and their movement toward reducing gap of underdevelopment reflect in the countries which are passing from bureaucratic to entrepreneurial status. It can be concluded that there are three main strategies to develop sustainable rural entrepreneurship which should be considered in planning:

- Attracting business from urban to rural area that totally is not much useful
- Maintaining and developing the existing business through supportive policies which generally policy makers and managers do not pay attention to them
- Supporting the creation of new business in rural areas that is usually considered but requires coherent and long life planning

In total, preparation of economic and social environment in villages is very effective in recruitment of young and skilled manpower and specialist; and also expansion of agriculture activities as the main strategy to create and strengthen rural entrepreneurship in regard to sustainable development of these areas.

REFERENCES

- Alison, M., 1990. *Entrepreneurship: An International Perspective*. Jordan Hall, Linacre House, Oxford.
- Allen, J.C., P.F. Korsching and R. Vogt, 2003. Examination of community action field theory model for locality based entrepreneurship. Paper Presented at the Annual Rural Sociological Society Meeting, Montreal, Canada.
- Behkish, M.M., 2002. *Iran's Economy in the Context of Globalization*. Ney Publication, Tehran.
- Davis, J., 2004. *Guide to Rural Economic and Enterprise Development*. Working Paper, Retrieved from: <http://www.gtz.de>, pp: 12.
- Eftekhari, A.R. and S.G. Hamdolah, 2011. *Rural Development with Emphasis on Entrepreneurship (Definitions, Viewpoints and Experiences)*. 1st Edn., Samt Publication, Tehran.
- Fadaie, K.R., H. Nassaj and M. Seyed, 2010. *Entrepreneurship*. 2nd Edn., Haghshenas Publication, Rasht.
- Faraji, S., B. Hassanali, A. Seyed, G. H. Sajasi, T. Sadeghlou and K.A.A. Shahdadi, 2011. Priority scheduling of entrepreneurship development in rural areas by Promati technique. *J. Hum. Geo. Res.*, 75: 53-68.
- Gnyawali, D. and D. Fogel, 1994. Environments for entrepreneurship development: Key dimensions and research implications, *entrepreneurship. Theory Practice*, 18(4): 43-62.
- Heaton, J., 2005. *Developing Entrepreneurs: An examination of systematic approaches to entrepreneurial development for rural areas*. Illinois Institute for Rural Affairs, Rural Research Report.

- Maia, L., 2002. Enhancing entrepreneurship in rural tourism for sustainable regional development: The Case of Soderslatt Region Sweden. The International Institute for Industrial Environmental Economics (IIIEE), International Miljo Institute, Sweden.
- Markley, D.M., 2002. Entrepreneurship in Rural America: Prepared for the NCSL Rural Development Task Force. Center for Rural Entrepreneurship, Lincoln, Nebr.
- Markley, D.M., 2005. Local Strategies for responding to rural restructuring: The role of entrepreneurship. Globalization and Restructuring in rural America Conference ERS-USDA, Washington DC.
- Mirza, A. and M. Reza, 2004. Strategies of Rural Entrepreneurship Development and Creating Employment. Cooperation Organization of Graduates' Employment, Tehran.
- Rezvani, M.R., 2005. An Introduction on Rural Development Planning in Iran. 2nd Edn., Ghoms Publication, Tehran.
- Shafeghat, A., H. Darvish, A.A. Namdar and R. Gholami, 2008. Pattern of rural entrepreneurship in economic and social development. Paper Collection of National Conference on Sustainable Rural Development with Emphasis on Agriculture, pp: 275-276.
- Verheul, I., W. Sander, A. David and T. Roy, 2001. An eclectic theory of entrepreneurship. Tinbergen Institute Discussion Paper, Amsterdam, Indianapolis: Institute for Development strategies, Indian University, Bloomington, IN, 47405.