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The Characteristics and Constraints of Rural Enterprises

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Abstract:

This brief review paper discusses the characteristics of rural enterprises and their typical constraints in the rural milieu. In as far as rural enterprises are concerned, there is a thin line of difference between their characteristics and constraints, hence, the combined discussion of both in this paper. The rural business environment itself also contributes to the characterization of rural enterprises and also helps shape some of the associated constraints.

Being a review paper, the methodology is basically premised on a literature survey of both theoretical and empirical research papers that characterize rural enterprises as well discussing their constraints. This paper is an extract of a broader literature review undertaken for a PhD study on rural enterprise development.

The following constitute the major findings from the literature in as far as characteristics and constraints of rural enterprises are concerned: agriculture/land based enterprises; small and micro businesses; less growth oriented; small size of local market; stiff competition; poor access to finance; poor transportation and communication; lack of skilled labour; low availability of business premises; informality; lack of innovativeness; poor networking opportunities; lack of technology; poor quality products; poor status of local institutions; limited business management skills and low access to business support, among others that are detailed in the paper.

This paper is of value in as far as it gives a clear characterization of rural enterprises and their constraints and therefore it can be used for development of rural enterprise support policies in fostering the growth of the rural economy.

Keywords: *Rurality, rural enterprise, characteristics, constraints*

1. Introduction

This review paper characterizes rural enterprises together with their constraints as the two are somewhat embedded and may indeed be considered as two sides of the same coin. It is an extract of a broader literature review undertaken for an on-going PhD research project on rural enterprise development. It starts by defining rural and rurality, goes on to give a working definition of a rural enterprise and finally dwells on a discussion of the findings as pertaining to characteristics and constraints of rural enterprises, being the gist of the paper. Although this is a general paper that discusses issues pertaining to rural enterprises the world over, from time to time reference is made to the Zimbabwean situation as the study is being undertaken in the said country. Being a theoretical review paper, the methodology is sorely based on literature survey of theoretical and empirical research papers, besides practitioner ones, that touch on characteristics and constraints of rural enterprises as listed in the References section.

2. Definitions

2.1. Rural and Rurality

It is acknowledged in the literature that rurality is a concept that is widely defined (Stathopoulou, Psaltopoulos and Skuras, 2004) and just like entrepreneurship, there is no consensus on a single definition of rural (Tunberg, 2014). To that end, several authors have come up with various definitions which use different bases. However, Dinnis (2011) and Tunberg (2014) give what ranks among some of the most comprehensive definitions or characterisation of rurality from different perspectives.

Turnberg (2014) identifies three types of definitions of rural from the literature in her systematic literature review on rural firm growth i.e. 'rural as non-urban, rural defined by descriptive terms and rural defined as a social construction.' (p.5). The first approach of taking rurality by making it the opposite of urbanity becomes just an oversimplification of a complex concept in reality. The more descriptive approaches of defining rurality using demographic measures such as population density and size (Stathopoulou, Psaltopoulos and Skuras, 2004; Smallbone, 2009) are said to be more on the quantitative approach and suffer from rigidity. The social constructionist approach of the likes of Smith and McElwee (2013) which views rurality more as a social setting than being preoccupied with location and boundaries, is said to have drawbacks of ethnographic meaning and self identity complexities.

As noted by Tunberg (2014), Dinnis (2011) observes that the definition of rural is often associated with population densities as a base, in agreement with other scholars (e.g. Stathopoulou, Psaltopoulos and Skuras, 2004; Shield, 2005; Smallbone, 2009). She acknowledges the emergence of three categories of definitions i.e. ecological, functional and behavioural definitions. The ecological definition views rural areas based on its geography and its landscape, an aspect that has led to the development of rural tourism (Denis, 2006b). The functional definition, according to Dinis, is economically inclined which traditionally links the rural regions with agricultural activities and other natural resources exploitation. The behavioural definition, which is said to owe its origins to the sociology field (Tunberg, 2014), tries to draw the rural-urban divide in terms of behavioural aspects of the population.

Dinis (2011), based on EU reports, goes on to give three categories/classifications of rural areas with the first type being those that are located within the vicinities of large cities, what would be called, in Zimbabwean terms, peri-urban areas. The second is categorised as those rural regions that are facing economic and social decline characterised by net out migration (Mollers, Traikova and Buchenrieder, 2014) of especially the young population in search of employment opportunities elsewhere. This is most typical of the country context of the study at hand. Finally, is the third category which refers to those rural areas that are disadvantaged and most remote, usually mountainous including some islands, in a European context (Danson and Burnett, 2014; Meccheri and Pellonis, 2006). In the Zimbabwean context, outlying districts like Binga would be most typical.

Like the EU, the Organisation of Economic Cooperation and Development (OECD) developed categorisation of urban and rural areas based on population densities (Smallbone, 2009; Turlakova, 2014), the most common base of categorisation as noted earlier. These are given below (Smallbone, 2009: 4-5):

Predominantly rural regions, in which more than 50% of the population live in communities with a density below 150 inhabitants per sq. km.

Significantly rural/intermediate regions, in which between 15-50% of the population live in communities with a density below 150 inhabitants per sq. km., or the existence of an urban centre of 200,000 or more, representing 25% or more of the population is found in an otherwise predominantly rural region.

Predominantly urban regions, in which less than 15% of the population live in communities with less than 150 inhabitants per sq. km.

There are different country contexts of rurality to the extent that some authors (e.g. Turlakova, 2014) are of the view that what is considered rural is perhaps best defined by legislation, where government gives parameters in terms of what should be considered as rural. In Zimbabwe, where 66% of the population lives in rural areas (ZimStat, 2012), the Zimbabwe Statistical Agency defines and categorises rural areas as 'non urbanity' as submitted by Tunberg (2014), where urban areas are taken as all towns and cities in the country including all places which have a population of 2 500 settled in a compact area, with more than 50% of the employed people being engaged in non-agricultural activities. This is the definition that was adopted for purposes of this paper.

2.2. Rural Enterprise

McElwee and Smith (2014) claim that rural enterprises have always been associated with farm/agricultural related businesses (Tunberg, 2014) with little debate given to rural enterprise as a separate entity. The authors acknowledge that defining rural enterprise is not an easy attempt (Bosworth, 2011) and go on to give a working definition by saying (p.441) '*a rural enterprise is a venture which has the following characteristics:*

- *Whose primary location is in a rural setting;*
- *Which employs people within a specified travel to work area;*
- *Which contribute to gross value added.'*

Like McElwee and Smith, Bosworth (2011) also acknowledges the elusiveness of the definition of a rural business. However, he goes on to give what perhaps is the most comprehensive typology (given below) in the literature of what a rural business represents which is based on three service parameters, i.e. businesses that are "*located in a rural area*" and serving a "*rural customer base*", a third parameter is "*selling a rural product*" (Bosworth, 2011, p.8).

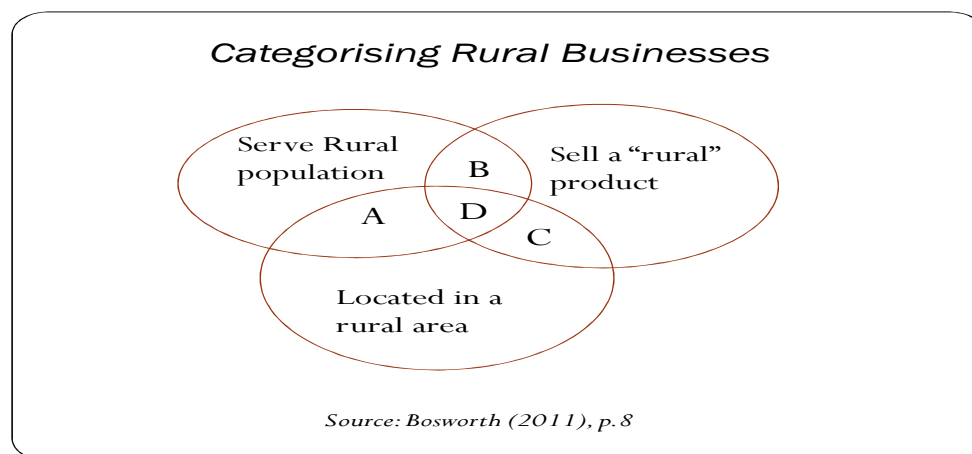


Figure 1: Categorising Rural Businesses

As shown above, four possible categories of rural businesses are possible, i.e. categories A, B, C and D. According to Bosworth, category D businesses are not that common, i.e. businesses that sell a rural product to a rural population and are located in a rural area. However, rural farmers who sell their produce directly to the rural population at the farm gate or shop, would fall into this category. Again according to this typology, a rural business does not necessarily need to be located in a rural setting, as represented by type B businesses which sell a rural product to the rural population. In the country of study, companies like Zimplow, which sell agricultural implements to the rural population would qualify as a rural business.

For purposes of this paper, a rural business is considered to be one that falls in category A, C or D, i.e. must primarily be located in a rural setting. This is also in line with McElwee and Smith (2014)'s first characterisation where they refer to rural businesses as those primarily located in rural areas. Thus, by the same consideration, category B businesses (like the Zimplow example given above) are not considered as rural enterprises, for purposes of this paper, by virtue of their non-rural location.

3. Characteristics and Constraints of Rural Enterprises

Having given working definitions of rurality and rural enterprises, this being the main section of the paper, discusses the characteristics of rural enterprises and the rural business environment. It is combined with the discussion of constraints, as typical in the various literature sources quoted, the discussion of constraints often brings to the fore the characteristics of either the rural enterprises or their operating environment.

3.1. Agriculture/Land based Enterprises

Due to the fact that agriculture is generally recognised as the main economic activity of rural areas (Hoy, 1996; Wortman Jr, 1990; Mugobo and Okpere, 2012; Smallbone, 2009) it is therefore not surprising that most rural enterprises are said to be agriculture based (McElwee and Smith, 2014; Tunberg, 2014; Atterton and Affleck, 2009; Centre for Rural Economy, 2006; Phillipson et al., 2002; Smallbone, Baldock and North, 2003). This is confirmed even on local (Zimbabwean) perspectives, wherein the FinScope MSME Survey of 2012 found the majority of enterprises (43%) to be from the agriculture sector anchored by growing produce and market gardening. This was followed by the wholesale and retail sector which registered 33% of all enterprises. This underscores the importance of the agricultural sector in the rural economy.

3.2. Small and Micro Businesses

Rural enterprises are often considered to be small compared to their urban counterparts (Atterton and Affleck, 2009; Lowe and Talbot, 2000b; Smallbone, Baldock and North, 2003) and often employ fewer employees. In fact, they are mostly microbusinesses as by western definitions, they employ less than 10 people (Lowe and Talbot, 2000b). This is perhaps why other authors (Liedholm, 2001; McPherson, 1998; Boateng, 2011) prefer to use the acronym MSE (micro and small enterprises). In fact, in Zimbabwe, 99% of all MSMEs are in the category of small and micro with 71% of these being individual (survivalist) entrepreneurs, i.e. those without employees (FinScope, 2012). The constrained sizes of rural businesses is not that surprising given the nature of the rural business environment and the types of enterprises found therein. Again the constrained size might partly explain why rural businesses are said to be experiencing difficulties accessing external business support (Smallbone, Baldock and North, 2003) as most funders feel comfortable funding big businesses with higher returns on investment.

3.3. Less Growth Oriented

Due to the characteristic limited rural market as a result of the low population density, rural enterprises are said to have less growth orientation than their urban counterparts (Smallbone, Baldock and North, 2003; Centre for Rural Economy, 2006; Atterton and Affleck, 2009; Phillipson et al., 2002; Liedholm, 2001; Smallbone et al., 2002). In fact, Liedholm (2001) asserts that the closer the enterprise is to the market the higher the likelihood that it would grow faster, something that is more akin to urban enterprises than those located in rural areas. Hence, the rural enterprises face constrained growth due to the numerous challenges that they face as further discussed below. Besides being less growth oriented, they are also likely to be less profitable for the same reasons and have a higher risk of closure as compared to the urban ones (Liedholm, 2001; McPherson, 1998). This therefore makes a good case for policy support for rural enterprises if the rural economy is to be revitalised.

3.4. Small Size of Local Market

This is a commonly reported problem in the literature (Smallbone, Baldock and North, 2003; Shield, 2005; Stathopoulou, Psaltopoulos and Skuras, 2004; Mugobo and Okpere, 2012; Saxena, 2012; Imedashvili, Ivchenko and Kekua, 2013; Smallbone, 2009; Meccheri and Pellonis, 2006; Salleh and Sidek, 2011; Lowe and Talbot, 2000a). Rural enterprises have limited markets due to the low population densities as cited earlier and also due to the low disposal incomes (Chrisman, Gatewood and Donlevy, 2002; Mtisi, Dube and Dube, 2013; Shield, 2005) characterising the rural population and the seasonality of such income (ADEA, 2013). This results in low aggregate demand and depressed profits for the rural enterprise (Liedholm, 2001; McPherson, 1998). As a result, there have been calls to assist rural enterprises improve access to market information (Westhead, Wright and Ucbasaran, 2001) and market access in general.

3.5. Competition

Due to the limited market as noted above, competition becomes an issue of note in the rural milieu (North and Smallbone, 1996). This comes in the form of large size urban enterprises which service the rural market (Saxena, 2012; Mugobo and Okpere, 2012) and other rural enterprises who most often than not sell the same sorts of products from within the same vicinity, i.e. a lack of differentiation (ADEA, 2013; Mtisi, Dube and Dube, 2013). The competitiveness of these rural enterprises is also compromised by a host of other factors such as lack of funding and access to technology (Mugobo and Okpere, 2012; North and Smallbone, 1996; North and Smallbone, 2000), among others.

However, still on the issue of competition, a contrarian view is given by North and Smallbone (1996) citing the work of Keeble (1993), that rural enterprises tended to have less competition than their urban counterparts given the large size of urban markets that have a tendency of attracting more and even bigger players to compete in that given space. Hence, North and Smallbone give weight to this view by using the same argument of the small size of the rural market to say this therefore commensurately attracts less competition as enterprises are less likely to fight for a small cake than they would do a bigger one. However, the reality though is that the earlier proffered view, that there is stiff competition in the rural business environment still holds despite North and Smallbones' contrary view, especially in the Zimbabwean or African setting, as has been previously reported from the literature (ADEA, 2013).

3.6. Access to Finance

This has been found to be a major problem and characteristic not unique to rural enterprises only, but extends even to the non-rural ones (Smallbone, Jianzhong and Lei, 2008; Zaidi, 2013; Okpara, 2011; Gill and Bigger, 2011; FinScope, 2012; ADEA, 2013; Lee and Phan, 2008; Meccheri and Pellonis, 2006; Salleh and Sidek, 2011; Nandanwar, 2011). What, however, makes it a more acute problem for rural enterprises is the lack of collateral that characterise most rural enterprises as most rural assets, especially in the African context, are not admissible as collateral due to the lack of title deeds (Mtisi, Dube and Dube, 2013). Also, investors are most likely attracted to growing and profitable enterprises (Shield, 2005), hence, rural businesses lose out on such investment opportunities (Tunberg, 2014). Also, as Chrisman, Gatewood and Donlevy (2002) and Smallbone (2009) point out, capital is not easily attracted to rural areas due to the fewer financial institutions located there. However, the advent of mobile money, such as EcoCash in the Zimbabwean scenario, is already revolutionising rural financial intermediation (Maphosa, 2013). This has made transfer of money from the urban dwellers to their kith and kin in the rural areas the more convenient, thus spurring rural entrepreneurial opportunities in the process.

3.7. Transportation and Communication

Due to the reported remoteness of rural areas (Shield, 2005) and the sparse population (Smallbone, 2009), transportation becomes another constraint that enterprises located therein have to contend with (Ramakrishna, 2014). The distances that have to be travelled for orders or commuting to work become considerably longer compared to the urban enterprises, hence, resulting in more commuting and shipping costs (Economic Research Service, 2003b). The poor state of the road infrastructure makes the transportation problem even more pronounced (Okpara, 2011; Mugobo and Okpere, 2012) and in the African context, the dirty roads that link up most rural areas are even impassable during the rainy seasons (Mtisi, Dube and Dube, 2013).

On the other hand, the communication infrastructure in rural areas is also not well developed compared to urban areas (Smallbone, 2009; Smallbone, Baldock and North, 2003; Saxena, 2012) which becomes a barrier for the development of the rural enterprises (Centre for Rural Economy, 2006). This underdevelopment in information and communications technology (ICTs) is more pronounced in the African context, although this is changing as there has been a rapid adoption of ICTs in Africa and its rural regions in the past few years (Lundqvist and Erlandsson, 2014). For example, in Zimbabwe, the mobile phone penetration rate is now estimated at 106% (POTRAZ, 2015) with even good network coverage in the country's rural districts.

3.8. Rural Labour

Due to low levels of education and unavailability of local training facilities of the rural labour market (Patterson and Anderson, 2003; Imedashvili, Ivchenko and Kekua, 2013; Freshwater, 2000), rural enterprises often face a constraint of having access to skilled labour (Smallbone, Baldock and North, 2003; Smallbone, 2009; Atterton and Affleck, 2009; Imedashvili, Ivchenko and Kekua, 2013; Hoy and Vaught, 1980; Lee and Phan, 2008; Saxena, 2012; Dabson, 2001; Ampandu, 2010). This constraint also comes about as a result of low wages that are offered by most rural enterprises and the out-migration of the energetic young population (Mugobo and Okpere, 2012). In most cases, rural employees have to be provided with on the job training (Saxena, 2012) due to the shortage of readily available skilled personnel. However, the rural labour force is said to be cheaper than in urban areas (North and Smallbone, 1996; Atterton and Affleck, 2009) which in a way becomes an advantage for rural enterprises which has been found to be a motivation for them to be more labour intensive (North and Smallbone, 1996; Saxena, 2012).

3.9. Availability of Business Premises

This is another characteristic constraint faced by rural business enterprises. In a recent Zimbabwean survey of rural enterprises (ADEA, 2013) one in every ten enterprises surveyed reported having problems with accessing adequate and suitable business premises to operate from, giving rise to sanitation and health problems as some of them operated from the streets. This was also reported in an earlier national survey of MSMEs (FinScope, 2012) where 39% of operators run their business operations from home. Home operations were sometimes necessitated by the high rentals that are required for rented business premises for both urban and rural

locations. In South Africa (Eastern Cape) a recent survey of rural enterprises conducted (Mugobo and Okpere, 2012) had over 90% of the respondents citing availability of business premises as a challenge with a good number of them also operating from home. Lack of appropriate premises also limits the growth potential of the enterprise (Atterton and Affleck, 2009; Ramakrishna, 2014) as others also lack space for expansion (Smallbone, 2009). Again, this calls for business support for rural enterprises if they are to thrive and contribute to rural economic development.

On the flip side, despite the limited availability of premises, other studies, especially from the western world, have indicated that these (premises) are cheaper in rural areas than they are in urban areas (Imedashvili, Ivchenko and Kekua, 2013; Smallbone, 2009; Turlakova, 2014). Also, of those rural businesses operating from proper business premises, in Zimbabwe, 50% were said to own their premises (ADEA, 2013) and in the North East of England (Atterton and Affleck, 2009), 60% were said to be owners of their operating premises, implying that it may perhaps be somewhat easier for rural enterprise operators to own their business premises than it may be for those that are urban. Indeed, experience working with rural enterprises in the various districts of Zimbabwe has confirmed this to be true. These are some of the rural assets which are owned by rural business people which unfortunately often come without title deeds, thus impinging on their ability to access finance.

3.10. Informality

This is a characteristic constraint that is not only a feature of rural enterprises, but even their urban counterparts. In Zimbabwe, 85% of the estimated 2.8 million MSMEs are not registered (FinScope, 2012), in other words, they are considered informal sector businesses. This is supposedly more pronounced for the rural sector where 66% of the enterprises are said to be located, coincidentally, in line with the population distribution of the country (ZimStat, 2012). Whilst operators might take informality as an advantage as it enables them to dodge statutory obligations such as payment of taxes (Wangwe and Mmari, 2013; Ayadi and De Groen, 2014), there are more disadvantages that weigh down on enterprise growth (Wangwe and Mmari, 2013; Mead and Liedholm, 1998) such as failure to access formal business support, finance from financial institutions, equipment and inputs. Hence, there is a price to pay for informality although to the enterprise operators there is seemingly more to gain from their informal status.

3.11. Lack of Innovativeness

The rural business environment has been found to be a barrier to innovation of rural enterprises (North and Smallbone, 2006) given the limited size and access of the rural market. Transportation constraints together with remoteness are also said to affect innovation. Also, lack of appropriate technology and working space impinge upon the innovativeness of rural enterprises (ADEA, 2013; Meccheri and Pelloni, 2006; North and Smallbone, 1996). The lack of technical skills that characterise most rural enterprise operators and their workers (Mugobo and Okpere, 2012; Smallbone, 2009) does also affect the level of innovativeness that these enterprises exhibit. Their lack of innovativeness has a negative impact on their ability to access export markets (North and Smallbone, 2006; North and Smallbone, 2000) where products have to meet certain stringent quality standards. From an African perspective and the Zimbabwean context in particular, this does not seem to be that much of a disadvantage as export activity from rural enterprises is almost nil.

3.12. Poor Networking Opportunities

Networking has been reported to be beneficial to rural businesses (Atterton and Affleck, 2009) as it allows businesses to derive various benefits among which included business advice, information sharing and word of mouth referrals. However, rural businesses have been reported to have poor networking opportunities compared to their urban counterparts, thus hindering them from deriving the full benefits of networking (Tunberg, 2014; Atterton and Affleck, 2009). Also, because of poorly developed networks, this has resulted in rural enterprises failing to access business advice (McElwee and Smith, 2014) and other business opportunities. This has made other authors to make a call on rural enterprise operators to develop differentiated and more intense business networks in order to overcome some of the drawbacks of lack of networks in the rural entrepreneurial milieu (Stathopoulou, Psaltopoulos and Skuras, 2004). There has also been calls for policy initiatives that promote the development of networks to stimulate entrepreneurship and innovation in rural regions (North and Smallbone, 2006). This is even more of a need from a developing country perspective. The formation of business associations in rural areas, like has been happening in Zimbabwe under various NGO programmes, is an effort towards assisting rural businesses form functional networks for their benefit. Some of these efforts have resulted in increased access to credit through group lending and guarantees.

3.13. The Regulatory Environment

This is another hindrance to enterprise development that has been identified in the literature (Fjose et al. 2010; Bowen et al. 2010; Kanyanula and Quarterly, 2000; Osamwonyi and Tafamel, 2010). Due to the effects of the poor regulatory environment, the Southern African region has always been rated last on the World Bank's Doing Business surveys (Boateng, 2011) and Zimbabwe has for many years been featuring in the bottom league due to a restricted business environment (ADEA, 2013). These challenges do not spare the rural business environment, resulting in rural enterprises facing some challenges. The high levies and taxes charged on businesses have created an untenable environment for businesses together with price regulations on some commodities (Muzari and Jambwa, 2014). Business registration and licensing requirements are said to be tedious, thus resulting in operators failing to formalize their businesses (ADEA, 2013). Corruption from government officials and state institutions has also been cited as compromising the business environment (Olawale and Garwe, 2010). Political interference is also mentioned as a contributory factor to the regulatory environment (Irwin, 2011) which has also not spared rural enterprises. Other authors who cite the regulatory environment as a constraint for rural enterprises include Hoy and Vaught (1980), Nandanwar (2011) and McElwee and Smith (2014), among others.

3.14. Lack of Technology

Rural enterprises are characteristically constrained by poor access to technology, especially in the African context where it has been found that access to the right technology can be a big driver of rural business expansion (Pooe and Mafini, 2012; Variyam and Kraybill, 1994). Despite great expectations placed on ICTs in the empowerment and economic development of rural regions (Hosman and Fife, 2008), it has been observed that in most developing countries, there is a lack of technological resources such as computers (Naik and Basavaraj, 2012) to enable the harnessing of technological power for business growth. Meccheri and Pellonis (2006) together with Saxena (2012) also cite lack of technology as a rural enterprise constraint. This is aggravated by the low levels of education of the rural labour force (Patterson and Anderson, 2003; Imedashvili, Ivchenko and Kekua, 2013; Variyam and Kraybill, 1994) as previously discussed together with the lack of access to funding for capitalisation (ADEA, 2013; Lee and Phan, 2008; Meccheri and Pellonis, 2006; Salleh and Sidek, 2011). The non availability of electricity in most rural areas also contributes to the lack of technology for rural enterprises. However, in Zimbabwe, through the government's rural electrification initiative, the majority of rural business centres are electrified notwithstanding the erratic power supply.

3.15. Poor Quality Products

The issue of quality is another characteristic constraint that is faced by not only rural enterprises, but the generality of small scale enterprises as noted in the literature (Whiteduck, Lever and Peebles, 2008; Whiteduck, Peebles and Lever, 2006; Saxena, 2012; ADEA, 2013). However, for the rural enterprises, this becomes more of a constraint given the combined effects of the other constraints as discussed in this paper. For example, lack of technology will have an effect on the quality and cost competitiveness of products that are produced by these rural enterprises, at least for those that are into manufacturing. Rural areas are known to generally lack the right inputs (Mtisi, Dube and Dube, 2013; Whiteduck, Peebles and Lever, 2006) coupled with poor work spaces (Boateng, 2011; FinScope, 2012; ADEA, 2013), thus having an impact on the product quality. This in turn impacts upon their ability to properly service even urban markets and let alone export markets.

3.16. Attitudes

Rural enterprise operators are said to suffer from poor entrepreneurial attitudes or a lack of entrepreneurial culture (Salleh and Sidek, 2011). The issue is, most rural entrepreneurship projects are undertaken as a way of supplementing household income, hence, the business acumen tends to be lacking, calling for the need for entrepreneurial and business management skills training and a general mind-set paradigm shift (Irwin, 2011; Salleh and Sidek, 2011). Irwin (2011) quoting Balunywa (1998) argues that enterprise failure may not necessarily be due to the traditional problems of lack of funding, access to markets, etc., but it may just be a question of lack of entrepreneurial ability, indeed an argument that holds water for the rural segment. McElwee and Smith (2014) identify lack of enterpreneurial spirit as one of the many barriers that affect the development of the rural enterprises which is in concurrence with the other quoted authors. As has already been alluded to, this calls for concerted support efforts to overcome this and many such other barriers.

3.17. Lack of Role Models

This is said to be a serious problem faced by rural entrepreneurs given the importance of the ability of enterprise operators to be able to learn from each other (Turlakova, 2014), especially from those who would have demonstrated success in running their enterprises. This ability to learn from others also underscores the importance of networking as one would naturally use their network as their first point of contact for experiential learning. Chrisman, Gatewood and Donlevy (2002) make the same observations, noting that there are fewer role models in rural areas who have the right level of experience of running enterprises and can be depended upon in terms of imparting entrepreneurial knowledge and skills to others compared to the urban entrepreneurial milieu. The same constraint is also cited by Mugobo and Okpere (2012) as lack of exposure was given as a business constraint by over 20% of rural enterprises they surveyed in the Western Cape of South Africa. This points towards the need for support provision in this area through study tours or look and learn visits for the rural enterprise operators to benefit through learning from each other. Role models are said to be important in encouraging the rural younger generation to take up the entrepreneurial challenge (Salleh and Sidek, 2011) something that might contribute towards stemming rural out migration (Imedashvili, Ivchenko and Kekua, 2013; Saxena, 2012).

3.18. Poor Status of Local Institutions

The rural entrepreneurial milieu suffers from a poor institutional environment which is meant to lend support to the enterprises (Mollers, Traikova and Buchenrieder, 2014). There are fewer local institutions such as banks, tertiary educational institutions and others that are located in rural regions (Chrisman, Gatewood and Donlevy, 2002; Lee and Phan, 2008). The lack of financial institutions in rural areas has led to a serious case of financial exclusion (FinScope, 2012; FinScope, 2011) especially from the African perspective where, for example, in Zimbabwe, 40% of adults are financially excluded nationally (FinScope, 2011) with the situation being more grievous in the rural areas. Turlakova (2014) observes that there is need to strengthen market and training institutions in rural regions given that these are need areas for rural enterprises. Smallbone (2009) observes that the state of local institutions has a strong bearing on the entrepreneurial environment and also cites key institutions in areas of training provision, banking systems and market institutions as being critical. Bringing this to a developing country situation by giving the example of the former command economies, Smallbone and Welter (2006) are of the opinion that the institutional environment becomes even more critical as it dictates entrepreneurial behaviour.

3.19. Limited Business Management Skills

Past research has shown that small enterprise operators lack the requisite business skills and their performance is even linked to their levels of education, where enterprises which are run by operators with higher levels of education perform better than those with corresponding lower levels (Osamwonyi and Tafamel, 2010; Bowen, Morara and Mureithi, 2009). This apparent lack of business skills has led to the need for management training to be one of those areas that is frequently mentioned for business assistance/support by both rural and urban small enterprises (Boateng, 2011; Smallbone, Jianzhong and Lei, 2008; FinScope, 2012; ADEA, 2013; Amha and Ageba, 2006; Joubert, 2004; McElwee and Smith, 2014). Already for rural enterprises, lack of training facilities in the rural milieu was cited as a constraint. This lack of management skills has also led to poor record keeping within enterprises (Joubert, 2004; Mtisi, Dube and Dube, 2013; Fumo and Jabbour, 2011) and failure to develop business plans. This has in turn led to enterprises failing to access funding from banks due to failure to keep records as bankers would like to convince themselves first of the performance of the enterprise before they risk their money.

3.20. Business Support Awareness and Access

One of the major problems faced by MSMEs that is commonly reported in the literature is the lack of awareness of support services available to them (FinScope, 2012; Wangwe and Mmari, 2013; Smallbone, Jianzhong and Lei, 2008; Fumo and Jabbour, 2011; Emslie and Bent, 2007; Ramsden and Bennet, 2005; Xiao and Fu, 2009; Jay and Schaper, 2003; Lean, 1998; Olawale and Garwe, 2010; Beth, Gilbert and Baptista, 2013; McElwee and Smith, 2014) leading to poor access and low utilisation of support services by the concerned enterprises (Mohd Nor Hakim, Mohd Rafi and Mohamed Dahlan, 2010; Mohd Nor Hakim, Mohd Rafi and Zuraimi, 2014) as they cannot demand services that they are not aware of. The low awareness levels have been attributed to poor marketing of business support services by the providers and poor information dissemination of the same when it comes to the rural segment (Emslie and Bent, 2007; Xiao and Fu, 2009). This has resulted in calls for improved marketing and information dissemination (Manyani, 2014; Centre for Rural Economy, 2006) for increased uptake of business support services by rural enterprises.

In the context of the rural enterprises, the problem of lack of awareness of business support services and access to the same is seemingly worse, where the entrepreneurial milieu is more constrained than in urban settings. Rural entrepreneurship research has often cited this problem of lack of awareness (Smallbone, 2009; Smallbone and Welter, 2006; Smallbone, Baldock and North, 2003; Variyam and Kraybill, 1994; Pooe and Mafini, 2012; Saxena, 2012; Centre for Rural Economy, 2006; ADEA, 2013). This scenario is attributed to the location disadvantage where business support services providers have to travel long distances to provide support (Smallbone, 2009; Variyam and Kraybill, 1994). In most African countries like Zimbabwe, this is worse given the poor conditions of the road infrastructure (Mtisi, Dube and Dube, 2013; Okpara, 2011) characterised by dirty roads in rural areas. This effectively makes distance a barrier to the access of support services by the rural enterprises. Again, research has shown that distance has an effect on the effective provision of support services (Bennett and Smith, 2001; Keeble et al., 1992; Hitchens, 1997; Centre for Rural Economy, 2006). Also, because of the distance factor, it becomes costly for rural enterprises to access business support services as they have to travel long distances to the support providers located in town and/or vice-versa, meaning more time being spent out of the office (Smallbone, 2009; Centre for Rural Economy, 2006; Smallbone, Baldock and North, 2003; Lowe and Talbot, 2000b) which represents another cost in itself. In fact, micro-enterprises (which comprise most rural enterprises), especially one or two person enterprises, can hardly afford to have an employee or the proprietor to leave the business and attend a training workshop/meeting (Bennett and Errington, 1995) as that would mean loss of business that can never be recovered.

4. Conclusion and Implications

This short review paper has tried to give a snapshot view of the key characteristics and constraints that are faced by rural enterprises from the various sources of literature consulted. The paper underscores an important observation made by Smallbone (2009), among other authors, that there is need for specific government policy in support of rural enterprises as homogenous policies for all MSMEs without a specific differentiation of urban or rural may not have the most desirable impact, especially on the rural enterprises. This is because of some of the unique characteristics and constraints that are faced by rural enterprises as discussed in this paper that set them apart from the urban enterprises, thus calling for tailor-made support interventions. As noted above, most rural enterprises are agriculturally/land based, thus there is need for specific technical support required for such enterprises besides the general business skills/management support that all small enterprises require regardless of their location. Again, it has been observed that most rural regions, especially in the African context, have a serious lack of infrastructure, poor support institutional environment and general poor service provision (ADEA, 2013; Chrisman, Gatewood and Donlevy, 2002), thus affecting the rural entrepreneurial milieu. This again calls for specific support policies for the rural entrepreneurial environment in order to foster rural entrepreneurial activity.

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