

Full Length Research Paper

Rural entrepreneurship in the Western Cape: Challenges and opportunities

Virimai Victor Mugobo¹ and Wilfred I. Ukpere^{2*}

¹Faculty of Business, Engineering Building, Cape Peninsula University of Technology (CPUT), Cape Town Campus, P. O. Box 652 Cape Town, 8000, South Africa.

²Department of Industrial Psychology and People Management, Faculty of Management, University of Johannesburg, South Africa.

Accepted 8 August, 2011

Rural entrepreneurs in the Western Cape Province of South Africa were surveyed in order to explore the challenges and opportunities that they are facing. The methodology used in this study involved a combination of quantitative and descriptive research. The study consisted of a sample of 160 rural entrepreneurs. Based on the results of the study, rural entrepreneurs in the Western Cape still face challenges such as lack of technical and business skills, shortage and high cost of raw materials, inaccessible and unreliable communication and transport services, and limited access to finance and sustainable markets. Rural entrepreneurs have various opportunities in the form of increasing government commitment to land reform and rural development, support from small business development institutions and the creation of networks and partnerships with other rural and urban entrepreneurs. The study recommends that the government needs to come up with comprehensive legislation and policies to spearhead and support rural development through rural entrepreneurship.

Key words: Rural, entrepreneurship, sustainability, development.

INTRODUCTION

Despite the accelerated shift towards urbanisation as a result of modernisation and globalisation, the allocation and expenditure of resources between urban and rural areas across the world is still uneven and the gap between the two is widening exponentially. It is an accepted fact by governments across the world that entrepreneurship is a powerful tool for economic development and poverty alleviation and this is especially so for poor and developing countries such as South Africa. As the majority of the population in Africa and other developing continents still live in rural areas. Many governments have prioritised rural entrepreneurship as a vehicle for socio-economic development of their rural population in particular and their countries in general.

This phenomenon suggests that there exists some untapped potential in the rural sector. However, many rural entrepreneurs have failed to grow their business and graduate them into small-to-medium enterprises and ultimately large companies and corporations. This study was carried out to investigate the challenges and opportunities that confront rural entrepreneurs in the Western Cape province of South Africa.

The main objective of the study was therefore to establish the challenges and opportunities facing rural entrepreneurs in the Western Cape, recommend pragmatic solutions and provide empirical evidence of the kind of interventions that the government of South Africa and other stakeholders involved in the rural development sector can implement in order to initiate and nurture rural entrepreneurship. Rural entrepreneurship should thus be seen not only in the context of rural development but most importantly in the broader context of national economic development, empowerment and ultimately poverty

*Corresponding author. E-mail: wilfredukpere@gmail.com, pastorwilfred@yahoo.co.uk. Tel: 27-735295587.

eradication.

The socio-economic profile of the Western Cape Province

Although South Africa has achieved remarkable economic growth since gaining independence in 1994, economic disparity between rural and urban areas is still an enormous challenge. This disparity is largely attributable to different sources of income-generating economic activities. While the urban population has access to higher income employment, the rural inhabitants rely heavily on low-income economic activities, especially in the primary sectors.

According to Hosseini et al. (2009), there is no single appropriate way to develop and enhance entrepreneurship in developing countries: constraints and opportunities vary from country to country and therefore, require location-specific approaches. With a population of about 4.8 million, the Western Cape is the third largest province in South Africa and contributes about 14.4% to the national gross domestic product (Statistics South Africa, 2009). The province's robust economy can be attributed to its balanced diversity of primary activities – agriculture, fishing and forestry – plus an equally diverse range of manufacturing sub-sectors, a vibrant tourism sector and an increasing array of future-oriented service industries. Excellent transport facilities by sea via the harbour of Cape Town and Saldanha, by air via Cape Town International Airport as well as George airport, and by rail as well as freeways link the Cape to the world and the rest of the country (Western Cape Fact Sheet, 2010).

The Western Cape's rural areas – the 'platteland' – includes South Africa's famous 'Garden Route', with the harbour and petro-chemical centre of Mossel Bay, the administrative centre George and tourist pearls like Oudtshoorn, Knysna and Plettenberg Bay. Along the West Coast Saldanha-Vredenburg is the new industrial hub (home of the vast Saldanha Steel complex) and Clanwilliam, Vredendal and Lamberts Bay are agricultural and fishing centres. Closer to the City of Cape Town, the idyllic 'Boland' towns of Stellenbosch, Paarl, Wellington, Worcester and Montague are mostly shaped by wine and fruit farming as well as tourism (Western Cape Fact Sheet, 2010).

LITERATURE REVIEW

What is entrepreneurship?

The concept of entrepreneurship has been in existence for over three centuries and academics and practitioners have not been unanimous as to the exact meaning of the term. The word 'entrepreneur' itself has an interesting history and it appeared first in French according to

Encyclopaedia Britannica, long before there was any general concept of an entrepreneurial function. By the early 16th century, men engaged in leading military expeditions were referred to as entrepreneurs. From this usage it was easy to move the application of the word 'entrepreneur' to other types of adventures. After 1700, 'entrepreneur' was a word which was frequently applied by the French to government road, bridge, harbour and fortification contractors. The same term was later applied to architects (Dutta, 2004).

The word entrepreneur originates from the French verb *entreprendre* and the German word *unternehmen*, which both mean to "to undertake" or "to do something," and it was originally used in the Middle Ages in the sense of 'a person who is active, who gets things done'. On one extreme of the continuum, an entrepreneur is an individual who possesses exceptional business acumen and aptitude and is able to create and grow a business enterprise. This kind of aptitude and acumen is rare and is only found in a small percentage of the population. On the other end, in general and popular terms, an entrepreneur refers to someone who creates and runs his or her own business.

In 1891, Bygrave and Hofer defined the entrepreneurial process as "involving all the functions, activities, and actions associated with perceiving of opportunities and creation of organisations to pursue them." Schumpeter introduced the modern definition of 'entrepreneurship' in 1934. He noted that entrepreneurship is "the carrying out of new combinations we call 'enterprise'" and "the individuals whose function is to carry them out we call 'entrepreneurs'." Schumpeter (1949) tied entrepreneurship to the creation of five basic "new combinations" namely" introduction of a new product, introduction of a new method of production, opening of a new market, the conquest of a new source of supply and the carrying out of a new organization of industry. Applied in the business context, an entrepreneur is thus an individual or group of individuals who identify an opportunity on the market, create and nurture a business to take advantage of that opportunity and in this regard, assume all the risks associated with running the business. Entrepreneurs are not special people, but they are alert individuals who are willing to act upon a perceived opportunity in a somewhat innovative way (Minniti, 2006). Entrepreneurship is thus the act or process of actually organizing and managing the enterprise. The question of whether the business is sustainable or not, is not a determinant of entrepreneurship. The mere fact of creating a new organisation, product or service makes one qualified to be called an entrepreneur.

What is rural entrepreneurship?

Entrepreneurship is increasingly being recognised as a critical tool in rural development and this recognition begs

the question of what types of public programmes will be most useful to encouraging and supporting rural entrepreneurs (Kansas City Federal Reserve, 2001). Curran and Storey (1993) opine that throughout the Western world, there has been a trend in recent years for the development of rural enterprises. According to Wortman (1990), rural entrepreneurship refers to “the creation of a new organisation that introduces a new product, service or creates a new market, or utilizes a new technology in a rural environment.”

In identifying policy issues and challenges facing rural areas, it is important to recognise the heterogeneity of such areas, both internationally and within the same country. Some of this heterogeneity reflects variations in the locational characteristics of rural regions within their national economies (for example, central or peripheral), while others are related to national or regional differences and the implications for rural development paths. Peripheral rural areas are characterized by remoteness from major markets; depopulation; infrastructural deficiencies; and high dependence on land-based activities. Accessible or more central rural areas, by contrast, typically have higher population densities; closer proximity to markets; less dependency on agriculture; and a more diversified economic base (Meccheri and Pelloni, 2006).

In the Western Cape, rural entrepreneurs, especially farmers are increasingly looking for better ways to organize their farming businesses, finding alternative technologies to diversify production, increase productivity and reduce risk.

The role of rural entrepreneurship in economic development and poverty alleviation

According to Baumol (1990), entrepreneurial activity and new business introductions are undeniably considered vehicles for economic growth and innovation. Fieldsend and Nagy (2006) elucidate that rural entrepreneurship, both agricultural and non-agricultural, is an important component of sustainable rural development. Sustainable rural development can be defined as maintaining or increasing the wealth-generating capacity of rural communities whilst maintaining the long-term capability of the community and its built and natural environment to support this capacity (Fieldsend et al., 2005). Increasingly, rural entrepreneurship and small business ventures have been seen as a strategy for rural development (Hoy, 1996).

According to Salleh (1990), rural businesses, which are mostly labour intensive, offer not only employment opportunities to rural folks, but also income sources to rural entrepreneurs which ultimately generate favourable impact on income distribution. Wortman (1990) opines that, “economic development and entrepreneurship are clearly related.” Year in, year out, the annual report of the small business administration has reported that more

than two-thirds of all new jobs that are created in the United States are developed through the entrepreneurial spirit involved in small businesses. Therefore, rural economic development and rural entrepreneurship are also clearly related” Entrepreneurship is conducive to economic growth and the creation of employment (Centre for Rural Entrepreneurship, 2005). Petrin (1994) affirms that rural development is now linked more and more to entrepreneurship. Entrepreneurship stands as a vehicle to improve the quality of life for individuals, families and communities and to sustain a healthy economy and environment. The acceptance of entrepreneurship as a central development force by itself will not lead to rural development and the advancement of rural enterprises. What is needed in addition is an environment enabling entrepreneurship in rural areas. This enabling environment can only be created through comprehensive policies and programmes involving public-private sector partnerships. The effectiveness of such policies in turn depends on a conceptual framework about entrepreneurship (Petrin, 1994). Sundar and Srinivasan (2009) assert that improving the quality of life for rural people is an enormous and challenging problem. Solutions to this problem are to be found within the rural areas. In essence, it comes down to generating employment, increasing income, harnessing and utilizing the primary and secondary resources that the rural areas are endowed with. Promoting micro and small businesses through entrepreneurship programmes are increasingly seen as a means of generating meaningful and sustainable employment opportunities, particularly for those at the margins of the economy such as rural women. Research has identified a positive relationship between levels of entrepreneurial activity and economic growth across countries (Hosseini et al., 2009).

A similar study found that no countries with high levels of entrepreneurship experienced low levels of economic growth (Pages and Markley, 2004). Generally, nations, regions and communities that actively promote entrepreneurship demonstrate much higher growth rates and consequently higher levels of development than nations, regions and communities whose institutions, politics and culture hinder entrepreneurship. Entrepreneurship is a ladder out of poverty and into economic stability for rural poor. The small business sector across the world contributes immensely to employment creation, economic growth, and poverty alleviation and provides a strong basis for advancing entrepreneurship-friendly policies and strategies.

RESEARCH METHODOLOGY

Survey instrument

The methodology used in this study was a combination of both descriptive and quantitative research. The study relied on primary data collected through in-depth interviews and the survey method. The survey instrument was a self-administered questionnaire which

consisted of five sections: the profile of the rural entrepreneur, the business background, the nature of business support received, the challenges and the opportunities that the business is facing. The questionnaire consisted of both open-ended and fixed-choice questions. The open-ended questions were used to collect information not covered by the fixed-choice questions and to encourage participants to provide feedback.

The profile of the rural entrepreneur sought to establish information such as the level of education of the entrepreneur, experience, gender and so on. The nature of government and other business development services' (BDS) support as a contributing factor to rural entrepreneurs' success was analysed in terms of such items as financial assistance, training and extension services, marketing, moral support, technical assistance, infrastructure and business-related policies. Open-ended questions were also used to entreat responses regarding the challenges and opportunities that rural entrepreneurs in the Western Cape are facing.

Data collection

The research population included all rural entrepreneurs in the Western Cape province of South Africa. A sample of 160 respondents was administered in this study. The sample respondents were selected by the researcher using the judgmental, quota and snowball sampling techniques. Due to the fact that some rural locations (where some entrepreneurs are located) are far-flung and difficult to access, the sampling techniques chosen enabled the researcher to collect as much information at the lowest possible cost and time. The snowball techniques allowed the researcher to be referred to other potential respondents by the other respondents who had participated in the study. Without these referrals, the researcher would not have known these respondents. This also allowed the researcher to administer the research instrument only on those respondents who were eligible to participate in the study thereby reducing the probability of having people who were going to distort the data. However, much as the adopted sampling techniques provided the much needed time and cost efficiencies, they also have inherent limitations.

Firstly, using the snowball technique and depending on respondents for referrals to other potential study participants may lead to the sample not being representative of the population due to the fact that the respondents may only refer the researcher to other respondents who share the same characteristics with them, for example, referring the researcher only to their friends and acquaintances. The judgmental sampling technique, because of its reliance on the researcher may be subject to the researcher's bias and this may ultimately distort the results despite having the advantages of convenience and time and cost savings. Quota sampling ensured that all the districts in the Western Cape were covered in the study. It also ensured that all economic sub-sectors, genders and age groups were included. However, the limitation of this sampling technique like the other two alluded to previously is that it may lead to a sample that is not representative of the designated population. Secondly, the researcher may also select unsuitable sampling units.

In view of the limitations highlighted, however, the researcher used his expertise and experience to ensure that the sample is representative and also overcame most of the inherent biases in the sampling techniques adopted.

Data analyses

While descriptive analysis was used to summarise the profile of rural entrepreneurs and their business, content analysis was employed in order to identify the challenges and opportunities that rural entrepreneurs perceive in the Western Cape.

FINDINGS AND DISCUSSION

Firstly, the results will be discussed in terms of the profile of the rural entrepreneurs who were surveyed and secondly, the results of the content analyses on their perception of the support they are receiving from government and other BDOs, and the challenges and opportunities that they are facing.

Profile of rural entrepreneurs in the Western Cape

Table 1 summarizes the profile of the rural entrepreneurs in the Western Cape. The majority of the respondents (46%) were between the ages of 40 and 49 years. More than half of the respondents were males and coloureds were the predominant racial group, comprising about 54% of the sample. This is despite the fact that coloureds contribute only about 10% of the overall population of South Africa. Blacks, who comprise about 80% of the population of South Africa, comprised only about 16% of rural entrepreneurs in the Western Cape, according to the study. Table 1 also shows that the majority of rural entrepreneurs (78%) is married and has attained a secondary education. Only 15% of rural entrepreneurs surveyed had tertiary qualifications. This suggests that most graduates from tertiary institutions are not engaging in entrepreneurial activities in rural areas. Most entrepreneurs (67%) have 5 to 10 years experience.

Profile rural businesses

Table 2 summarizes the profile of rural businesses in the Western Cape. Most of the enterprises (73%) have been operating between 5 and 10 years and comprise mainly of sole-proprietors (47%) who operate mainly from home (60%). Operating from home was largely attributed to shortage of commercial workplaces and access to services such as piped water and electricity which are readily available in most homes. 31% of rural businesses were not registered. Family-owned businesses comprised 48% of rural business surveyed and the majority of the rural businesses are operated from home. Most of the respondents classify their businesses as farming and retailing (33 and 31%) respectively. In terms of employment, most of the rural businesses employ less than five people and 16% of the businesses are one-man/woman operations.

Business support services providers

The study found that the major players in terms of supporting rural entrepreneurs in the Western Cape are the government, non-governmental organisations, private companies and family members. Most of the respondents (68%) confirmed that they have received some kind of support from the government. 40% acknowledged receiving

Table 1. Profile of rural entrepreneurs in the Western Cape.

Variable	Frequency	%
Age		
Below 30	11	7
30 - 39	47	29
40 - 49	73	46
50 - 59	15	9
60 - 69	10	6
70 and above	4	3
Total	160	100
Gender		
Male	94	57
Female	66	43
Total	160	100
Race		
Black	26	16
White	48	30
Coloured	86	54
Total	160	100
Marital status		
Married	125	78
Single	35	22
Total	160	100
Education		
No education	6	4
Primary education	51	32
Secondary education	79	49
Tertiary	24	15
Total	160	100
Entrepreneurial experience in years		
Less than 5 years	18	11
5 - 10	67	42
11 - 20	40	25
21 - 30	24	15
More than 30	11	7
Total	160	100

receiving support from non-governmental organisations. A very interesting finding is that 90% of the respondents have at one time in their business received support from family members and neighbours.

Most of the respondents acknowledged that they have received loans and other credit facilities from the government and financial institutions such as banks, rural development agencies and small-to-medium enterprises development institutions (Table 3). 23% have received donations from NGOs and the government and 33% have

Table 2. Profile rural businesses.

Variable	Frequency	%
Age of business (Years)		
< 5	21	13
5 - 10	73	46
11 - 20	45	28
21 - 30	16	10
> 30	5	3
Total	160	100
Nature of business registration		
Unregistered	50	31
Sole Proprietorship	75	47
Partnership	16	10
Others	19	12
Total	160	100
Ownership of business		
Individually-owned	83	52
Family-owned	77	48
Total	160	100
Operating from...		
Home	96	60
Business Premises separate from home	64	40
Total	160	100
Classification of the business		
Arts and crafts	8	5
Fishing	16	10
Farming	53	33
Clothing	13	8
Retailing (grocery and food)	50	31
Transport	6	4
Others	14	9
Total	160	100
Number of workers		
None	25	16
Less than 5	96	60
6 - 10	21	13
Above 10	18	11
Total	160	100

received support in the form of inputs or raw materials.

Business Development Organisations (BDOs) have also been able to provide market access to 40% of the rural entrepreneurs. From this information, it is evident that rural entrepreneurs in the Western Cape have had varied support from different public and private institutions.

Table 3. Nature of business support.

Variable	Percentage
Donations	23
Loans and other credit facilities	81
Training and skills development	75
Provision of market access	40
Infrastructural development	15
Security	5
Transport	12
Raw materials	33
Equipment	19

Overall degree of support from the government and other institutions

Table 4 clearly indicates that rural entrepreneurs have been receiving support from various facilitating organizations such as the government, financial institutions, NGOs and the community. In terms of government support, the results indicate that most of the respondents regard the local and provincial governments and the community as highly supportive of their enterprises. 53% of the respondents regard the national government as moderately supportive. These results to some extent indicate that local governments are more involved in rural entrepreneurship than the national government. NGOs were also ranked highly in terms of their degree of support with 54 and 30% of the respondents ranking their support highly and moderately, respectively.

These results to some extent indicate that local governments are more involved in rural entrepreneurship than the national government. NGOs were also ranked highly in terms of their degree of support with 54 and 30% of the respondents ranking their support highly and moderately, respectively. The results also indicate that most rural entrepreneurs (64%) regard the communities in which they operate as highly supportive of their enterprises. Support from banks and other financial institutions are lukewarm. Only 14% said the financial institutions are highly supportive, 39% indicated that they are less supportive and 24% said that they are not supportive at all. This is an indictment to financial institutions to play a more prominent role in rural entrepreneurship.

Challenges facing rural entrepreneurs in the Western Cape

According to information tabulated in Table 5, rural entrepreneurs in the Western Cape identified the following factors as the main challenges, problems or constraints that they are facing in their enterprises:

Access to finance

Access to credit remains highly problematic, as financing

institutions still find it difficult to serve rural entrepreneurs. 59% the respondents indicated that access to funding is always a problem whilst 21% noted that financing is a problem that occurs frequently. The results also indicate that only 2% of the respondents have never had financing challenges. One other aspect that came out of the study is the fact that many financial institutions still demand collateral security before the provision of credit facilities and most rural entrepreneurs do not have the required collateral security.

Small and fragmented markets

Rural markets in the Western Cape are still small and insecure because of intensive competition from alternative products from urban industries. More than half of the respondents indicated that markets are still very small and fragmented. This finding echoes what Tarling et al. (1993) found out in their studies of entrepreneurship in rural United Kingdom. The rural market still lacks the required demand and buying power to sustain rural businesses and markets are far and wide apart.

Unavailability of business premises

Many rural businesses are still grappling with the shortages of business premises such as offices, warehouses and factories. 46 and 32% of the respondents indicated that the unavailability of business premises is a problem that always and frequently occurs respectively. The study also revealed that most rural entrepreneurs still operate from their homes.

Lack of technical skills

Due to rural-urban migration and also the unattractive salaries offered by rural businesses, skills retention and skills shortages are major challenges facing rural entrepreneurs. 38% of the respondents affirmed that the shortage of technical skills is an everyday problem whilst 27% said it is a challenge that frequently occurs. This problem of lack of technical skills is also exacerbated by the shortage of training institutions in the rural areas. Only 3% of the respondents did not regard technical skills as a challenge.

Remoteness and poor infrastructure

More than three quarters (82%) of the respondents cited remoteness of rural areas and poor infrastructure as another major constraint for rural entrepreneurs. In many rural regions, the transport and communications infrastructure is not developed enough to support sustainable rural development. Challenges in this area include poor road networks, absence of reliable telecommunication and postal services.

Table 4. Degree of external support.

Organization	Highly supportive		Moderately supportive		Less supportive		Not supportive	
	F	%	F	%	F	%	F	%
National government	20	13	84	53	43	27	13	8
Provincial government	91	57	57	36	8	5	4	2
Local government	123	77	30	19	5	3	2	1
NGOs	86	54	48	30	9	6	17	11
Banks and MFIs	22	14	37	23	62	39	39	24
Community	102	64	29	18	20	13	9	6

F = Frequency; N = 160.

Table 5. Degree of occurrence of problems facing rural entrepreneurs.

Problem	Always occurs		Frequently occurs		Sometimes occurs		Rarely occurs		Never occurs	
	F	%	F	%	F	%	F	%	F	%
Lack of access to funding	94	59	33	21	10	6	20	12	3	2
Small and fragmented markets	38	24	46	29	43	27	31	19	2	1
Unavailability of premises	74	46	51	32	20	13	10	6	5	3
Lack of technical skills	61	38	43	27	41	26	8	5	7	4
Remoteness and poor infrastructure	77	48	54	34	7	4	4	3	18	11
Lack of access to information and advice	28	17	44	28	32	20	17	11	39	24
Poor quality of output	53	33	49	31	37	23	14	9	7	4
Bureaucracy and administrative complexities	109	68	22	14	12	8	11	7	6	3
Competition from urban and international players	39	25	55	34	31	19	19	12	16	10
HIV/AIDS	19	12	37	23	35	22	38	24	31	19
Rural-to-urban migration	66	41	50	31	21	13	14	9	9	6
Organizational conflict	12	7	19	12	24	15	48	30	57	36
Lack of exposure	21	13	24	15	32	20	37	23	46	29

F = Frequency; N=160.

Access to information and business services and advice

17% of the respondents opined that there always face the challenge of failing to access information and business support services from facilitating institutions like the government, banks and NGOs. 28% of the respondents also

noted that this is a problem that frequently occurs to them. The organisations that are involved in rural entrepreneurship development are mainly based in urban areas and only travel to the rural areas only when they are running a specific programme. Rural entrepreneurs therefore have limited access to up-to-date market information and business services from these

organisations. However, 24% of the respondents pointed out that this problem has never occurred in their enterprises.

Poor quality output

The quality of rural output is still regarded by many rural entrepreneurs as a major constraint.

33% of the respondents regard it as an everyday problem whilst 31% of the respondents regards it as a problem that frequently occurs. 23% said that it sometimes occurs and only 4% of the respondents said the quality of the output is not a problem. However, for many rural entrepreneurs, it is evident from the results that lack of finance, and lack of technical skills all contribute to the poor quality of output and any interventions in this regard should deal with this problem holistically. The poor quality of output is inherently linked to the lack of competitiveness for rural output and the resultant challenge of achieving sustainable profitability.

Bureaucracy and administrative complexities

There are so many institutions and organizations involved in rural development services and these include the government, banks, micro-finance institutions, and NGOs. In dealing with these institutions, a massive 68% of the respondents indicated the problem of bureaucracy and complex administrative systems and processes as a regular constraint to them. Another 14% indicated that this is a problem that frequently occurs and only 3% of the respondents elucidated that they have not faced any problems in this regard. These findings are a wake up call to these institutions to streamline their operations in order to make them simpler to understand, efficient and relevant to rural entrepreneurs.

Competition from urban and international players

Due to trade liberalization and globalization, rural entrepreneurs also face the problem of competition from other rural entrepreneurs, urban and international businesses. 25% of the respondents indicated that the problem of competition occurs regularly, 34% said that competition frequently poses a challenge and on the other hand, 10% of the respondents do not regard competition as a problem. The constraints that arise as a result of competition are not isolated. As alluded to earlier on, failure to compete on the part of the rural entrepreneur is closely linked to other challenges such as lack of funding, lack of access to latest production and lack of technical skills.

HIV/AIDS

HIV/AIDS is a global problem and South Africa is no exception. 12% of the respondents noted that HIV/AIDS is always a problem in their businesses. 23% pointed out that it frequently poses a challenge and 19% have not been affected by the incidence of HIV/AIDS.

Rural-to-urban migration

Rural-to-urban migration was cited as a regular problem by 41% of the respondents whilst 31% of the respondents

regard it as a frequent problem. Only 6% of the respondents do not regard rural-to-urban migration as a constraint. As people migrate to urban areas, this de-populates the rural areas, leads to a flight of skills, capital and buying power.

Organisational conflict

Organisational conflict is another constraint that rural entrepreneurs in the Western Cape are facing. However, the findings show that only 7% of the respondents regard it as a problem that always occur and 12% said organizational conflict frequently occurs. On the other hand, 36% of the respondents opined that organizational conflict has never occurred in their enterprises whilst 30% noted that rarely occurs. These findings assert that organization is not a major problem for most rural entrepreneurs in the Western Cape. Organisational conflict was found to be more prevalent in rural enterprises that are in the form of partnerships, cooperatives and other group formations.

Lack of exposure

Due to the remoteness and poor communication and transport infrastructure, some rural entrepreneurs regard the lack of exposure as a constraint to their businesses. 13% of the respondents regard lack of exposure as a regular problem, 15% regard lack of exposure as a frequent occurrence. 20 and 23% regard the lack of exposure as a problem that sometimes and rarely occurs in their businesses. On the other hand, 29% of the respondents have never had the problem of lack of exposure.

Opportunities for rural entrepreneurs in the Western Cape

The study identified a number of opportunities that rural entrepreneurs can embrace in order to develop and sustain their enterprises. These opportunities include the following:

Government's commitment to rural development

Most of the respondents acknowledged that the government has promised to provide more support to rural business in its five-year rural development plan. This support will be in the form of training and skills development, infrastructure development and provision of access to urban and international markets.

Creation of networks with other businesses

Rural entrepreneurs also have the opportunity to grow and develop their businesses through the creation of networks and partnerships with other rural entrepreneurs and also with more established businesses in the urban

areas. This will provide benchmarking and learning opportunities for the rural entrepreneurs.

Government land reform programme

The South African government intends to vigorously reform the country's land ownership system with a view of providing more land to the rural poor. This programme promises to provide land for farming and other business purposes, increase rural production and output from rural-based industries.

POLICY IMPLICATIONS

What is the policy significance of this research? It is known that South Africa has never really created deliberate policies to develop entrepreneurship in the rural areas. Most development policies and programmes have been biased in favour of urban areas. This is especially so during the apartheid years. With the dawn of democracy in 1994, the successive governments have pushed a rural development agenda albeit without the commitment necessary to achieve meaningful change.

In South Africa, despite the political rhetoric about rural development and poverty alleviation, most developmental policies are not specifically designed for the rural sector; furthermore the absence of such policies can have a negative effect on the rural areas, by limiting the participation of rural residents in economic development. It is essential that relevant policies be designed as to encourage the effective participation of rural entrepreneurs in rural development in particular and national development in general. The primary reason for creating a supportive policy framework lies in the promotion of efficiency and growth in the overall economy, provision of financing, relevant infrastructure and skills.

POLICY RECOMMENDATIONS

Based on the study's findings, the researcher recommends the following: first and foremost, the South African government should come up with comprehensive rural entrepreneurship development policies which will address the challenges facing rural entrepreneurs.

Additionally, the South African government should eliminate restrictions that currently prevent rural informal enterprises from participating in public bids for supplies and those that promote sub-contracting arrangements between urban and rural entrepreneurs to ensure expanded markets. Moreover, almost a third of all the rural businesses surveyed are not registered. Hence, the government should therefore ensure that businesses registration services are accessible to rural entrepreneurs.

Furthermore, there is need to establish training

institutions to provide training to rural entrepreneurs in order for them to improve in terms of their productivity and quality of output. There is an urgent need to upgrade the technological capacity of rural enterprises if they are to successfully compete with urban and global players. More than that, the government and other business development organisations should promote a culture of entrepreneurship in those rural areas where it is absent or limited. In addition, there is a need to promote innovation in rural businesses through partnership with universities and other training institutions and also with other entrepreneurs in the urban areas. Further to the ongoing, rural entrepreneurs, especially farmers, should be encouraged to add value to their products and also diversify into non-farming activities in order to dilute market risk. Finally, there should be an integration of the activities of all institutions and stakeholders involved in rural development to ensure a coordinated approach to rural entrepreneurship development.

Conclusion

The results of this study provide a valuable insight into the problems and challenges that rural entrepreneurs are facing in South Africa in general and the Western Cape Province in particular. As the results showed, rural entrepreneurs continue to grapple with many challenges such as inaccessible communication and transport services, skills shortages, lack of access to capital and small and fragmented markets. Brush (1992) also indicated that one of the main problems facing rural entrepreneurs is limited training. It is the obligation of the government to come up with legislation and policies that facilitate the sustainable development of rural areas through rural entrepreneurship. Through employment creation and poverty alleviation, rural entrepreneurship is a robust engine for rural economic development which is especially needed in South Africa and in other developing countries where the majority of the population still lives in impoverished rural areas.

DIRECTIONS FOR FUTURE RESEARCH

Research into different aspect of rural entrepreneurship can greatly benefit the economies of host countries while at the same time contributing immensely to the lives of their populations. This study is merely a drop in the ocean in terms of rural entrepreneurship research and it is strongly recommended that further research be carried out in contemporary issues that may affect the development of rural entrepreneurship in South Africa. This includes areas such as the impact of globalization and climate change on rural entrepreneurship. Another focus of future research could be on the impact of current legislation and policies on the development of rural

entrepreneurship in South Africa. Research in these areas could be the epitome that can drive the development of sustainable rural entrepreneurship in South Africa and beyond.

REFERENCES

- Baumol WJ (1990). Entrepreneurship: Productive, Unproductive and Destructive. *J. Polit. Econ.*, (98)5: 893.
- Brush CG (1992). Research on Women Business: Past Trends, a New Perspective and Future Directions. *Entrep. Theory Pract.*, 17(4): 5-30.
- Centre for Rural Entrepreneurship website. Available online: http://www.ruraleship.org/index_html. Retrieved 18 October 2010.
- Curran J, STOREY DJ (1993). *Small Firms in Urban and Rural Locations*. Routledge.
- Fieldsend AF, Nagy J (2006). Constraints On Rural Entrepreneurship in Eastern Hungary. *J. Central Eur. Agric.*, (7)3: 529-532.
- Dutta S (2004). *Rural Industrial Entrepreneurship: A Case of Bardhaman District in West Bengal*. Wageningen University, Wageningen, The Netherlands.
- Fieldsend AF, Raupeliene A, Nagy J (2005). Rural Renaissance – a Strategy for Intergrated Rural Development in Eastern Europe. *Bulletin USAMV-CN, A*, 60/2004 7-12.
- Hosseini SJ, Mirdamadi SM, Nejad HH, Reza G (2009). "Extension and Education Factors Influencing the Success of Entrepreneurship among Rural Women in Northern Iran". *Res. J. Biol. Sci.*, (4)9: 967-973.
- Hoy F (1996). *Entrepreneurship: A Strategy for Rural Development*. *Rural Dev. Res.*, 29-46.
- Kansas City Federal Reserve Bank, Center for the Study of Rural America (2001). *Supporting rural entrepreneurship. Exploring Policy Options for a New Rural America*. Kansas City.
- Meccheri N, Pelloni G (2006). Rural Entrepreneurs and Institutional Assistance: An Empirical Study from Mountainous Italy. *Entrepr. Regional Dev.*, 18(5): 371-392. Taylor and Francis.
- Minniti M (2006). *Entrepreneurs Examined*. *Bus. Strat. Rev.*, winter: 78-22.
- Pages ER, Markley DM (2004). *Understanding The environment For Rural North Carolina*. Centre for Rural Entrepreneurship, Kansa City, Missouri, 1-61.
- <http://www.ncruralcenter.org/entrepreneurship/markelpagesreport.pdf>.
- Petrin T (1992). *Partnership And Institution Building As Factors In Rural Development*, paper presented at the Sixth Session of the FAO/ECA Working Party on Women and the Agricultural Family in Rural Development. Innsbruck, Austria, 13-16.
- Salleh MI (1990). *Small and Medium Scale Industrialisation: Problems and Prospects*. Institute of Strategic and International Studies (ISIS) Malaysia, Kuala Lumpur.
- Schumpeter JA (1949). *The Theory of Economic Development*. Harvard University Press, Cambridge.
- Sundar K, Srinivasan T (2009). Rural Industrialisation: Challenges and Proposition. *J. Soc. Sci.*, (20)1: 23-29.
- Western Cape Investment and Trade Promotion Agency Fact Sheet (2010). *South Africa's Western Cape, Basic Facts and Opportunities*. http://www.wesgro.co.za/publications/files/useruploads/user_anon/files/SA-WCGDP.pdf
- Wortman M Jr. (1990). *Rural Entrepreneurship Research: An Integration in Entrepreneurship Field*. *Agribusiness*, 6(4): 329-344.