

# The Insufficiency of Entrepreneurship Education to Businesses that Exist in Rural Areas in South Africa

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**Abstract:** The studies have shown that the existence of enterprises play a positive role in reducing unemployment and providing people with access to income to improve their standard of living. The challenge lies in the assumption that most enterprises that exist in rural areas do not grow as fast as compared to those in urban areas. Most entrepreneurs establish an enterprise due to unemployment, poverty, low income from their current jobs. Some enterprises tend to be successful, while others remain stagnant and others collapse within a short period of time due to their lack of sustainability. Entrepreneurship education plays a positive role in terms of enhancing entrepreneurs' innovative and creative abilities towards identifying problems and developing plans to solve them through businesses. There is a high rate of rural-urban migration due to pull factors such as employment opportunities whereby people are looking for either permanent or part-time employment within major existing businesses. This indicates that enterprises in rural areas need assistance for improvement and limit the shift of migration of labour to the urban areas. The main aim of this paper is to investigate the insufficiency of entrepreneurship education in businesses that exist in rural areas. The secondary data will be of paramount importance in sourcing information through academic books, articles, government documents from national, provincial and local level. The government has established small-enterprise agencies that promote entrepreneurship education, but do they consider all enterprises including the ones located in the rural areas? The assumption is that enterprises in rural areas also have the potential to rise and create employment for the local people and reduce household poverty. Furthermore, businesses require entrepreneurship education on a continual basis in empowering them with knowledge and skills that will be crucial for their daily operation.

**Keywords:** Entrepreneurship education, Businesses, Employment, Rural areas

## 1. Introduction

Investigating certain challenges that rural communities face can contribute towards exposing the ineffectiveness and lack of success of entrepreneurship and business practices in the areas. The specific objectives aided the aim of the study by addressing a detailed description of some of the challenges that rural businesses face. These objectives include highlighting the significance of entrepreneurship education and understanding the whole concept with the assumption that it can help uplift entrepreneurship in rural areas (Packard, 2017). According to Malebana & Swanepoel (2015), South Africa as a developing country needs to embark in entrepreneurial education to help rural businesses. There is a need to assess rural entrepreneurship in order to come up with effective measures that demonstrate improvement and growth that can lead to sustainability (Malshe & Agarwal, 2015). This can help shape the type of entrepreneurship education that will match the context of rural entrepreneurship and businesses. There are similar studies conducted by

Audretsch (2018); Bello (2018); Chimucheka (2014); Malshe & Agarwal (2015), to which their contributions formed part of the theoretical framework of the study. Their argument vested on the idea that the lack of entrepreneurship education affects the success of businesses more especially in those located in disadvantaged areas.

## 2. Rural Entrepreneurship

"Rural entrepreneurship can be defined as all forms of entrepreneurship that take place in areas characterized by large open spaces and small population settlements relative to the national context" (Korsgaard, Müller & Tanvig, 2015:6b). Entrepreneurship is regarded as a mechanism that can help those who are unemployed through starting new ventures that could grow to create even more employment opportunities. According to Lee and Phan (2008), rural entrepreneurship emphasises on the establishment of businesses in the rural sectors. It is of utmost significance to encourage people mostly the youth to participate in entrepreneurship. According

to Boohene and Agyapong (2017), entrepreneurship in rural areas is considered as a strategy for development in developing countries such as South Africa, to uplift the communities and for sustainability. "Entrepreneurship is a vital mechanism in creating economic activity and growth in rural settings" (Korsgaard, Ferguson & Gaddefors, 2015:574a). There are many ways to promote entrepreneurship in rural areas and that requires involvement of different actors to engage with the communities to ensure that entrepreneurship education is transferred to help capacitate and improve the welfare of people within communities.

The rural areas in most cases are characterised by agricultural practices which include farming due to its vast open land and the fact that most communities in rural settings engage in agricultural activities. In that regard, it should be noted that rural entrepreneurship goes beyond just agricultural activities but rather focuses also on non-agricultural activities such as sewing, tourism, blacksmithing, bakery, catering, and carpentry, cleaning services, mechanics and artisans (Gamede & Uleanya, 2018). These form of business ventures shows innovative and entrepreneurship capabilities by the rural people whereby they diversify their livelihoods in order to sustain themselves. To a certain extent rural communities are increasingly engaging in entrepreneurial activities (Korsgaard *et al.*, 2015a). These entrepreneurial activities tend to play a vital role towards creating employment opportunities, rural development as well as rural local economic development (Gamede & Uleanya, 2018; Müller & Korsgaard, 2018). The aim of rural development is to improve the standard of living of the communities and to ensure their sustainability free from dependency from the government (Uleanya & Gamede, 2017b; Gamede & Uleanya, 2018).

An increase in infrastructure investment, research and development, and technological development is necessary for rural entrepreneurs. This will create willing and effective entrepreneurs that will be able to grow their businesses and will decrease the rate of rural-urban migration (Dedehouanou, Araar, Ousseini, Harouna & Jabir, 2018). It is important for entrepreneurs to have the ability to take advantage of any form of capital at their disposal (Pato & Teixeira, 2016). This includes capital such as physical, human, social, environmental and financial. Pato and Teixeira (2016) emphasises that with all these types of capital a bricolage, as well as successful

and efficient businesses will be created. To be an effective entrepreneur you need to have knowledge of your surroundings and have background knowledge of the area in which you are to practice your business, that way one can easily identify gaps and opportunities in the area and take advantage of them (Lee & Phan, 2008).

### **3. What is Entrepreneurship Education?**

There has been an increase of entrepreneurs in South Africa; however, lack of entrepreneurship education in rural areas remains a challenge (Malebana & Swanepoel, 2015). Due to the high rate of unemployment amongst the graduates from institutions of higher learning such as universities, colleges and Technical Vocational Education and Training (TVET), lack of unemployment has pushed the youth of South Africa to be entrepreneurs. However, that becomes an advantage and disadvantage because other people start an enterprise with no entrepreneurship background or education and that can contribute to the collapse of the emerging enterprises (Nabi, Liñán, Fayolle, Krueger & Walmsley, 2017). When people become nascent entrepreneurs the aim is to make profit and be independent. Most entrepreneurs in South Africa have little experience in home enterprises; however, with proper management skills such as marketing, finance and customer care (Malshe & Agarwal, 2015). Entrepreneurship education is crucial in South Africa not only for individuals but also for the country as a whole through its impact on employment creation. When people are employed they have the purchasing power and afford a certain standard of living. When ideas are commercialized that will lead to maximum employment, wealth created, and that technology has to be combined with the markets and create innovative products (Audretsch, 2018). Entrepreneurship education can strengthen and transfer management skills to the owners of enterprises. The entrepreneurial education can also awaken the entrepreneurs or expose them to new business ideas that they can commercialise (Malebana & Swanepoel, 2015).

The government of South Africa must target entrepreneurs living in both rural and urban areas. Rural areas in this regarded are areas outside of the towns and cities often characterized by agricultural settings and underdevelopment, while on the other hand urban areas are human settlements that are developed such as cities, towns and suburbs and characterized by high population density and

infrastructure of the built environment (Boohene & Agyapong, 2017). Rural areas are affected by illiteracy, unemployment, poverty and crime (Bello, 2018). Moreover, that should also shift the government's focus on ensuring that enterprises in rural areas receive entrepreneurship education and that will stimulate the economic growth in that area. According to Packard (2017), entrepreneurship is a process that causes changes in the economic system through innovations of individuals who respond to opportunities in the market. Entrepreneurship education is a tool to unlock new employment opportunities for job seekers (Burton, Geishecker, Hostmann, Friedman & Newman, 2006). Moreover, entrepreneurship education will be improving the quality of the business sphere and promoting intellectual attitudes, innovative business ideas to reduce socio-economic issues in the long term (Nabi *et al.*, 2017). Most entrepreneurs in rural areas face competition because they sell the same products at the same prices and that affect their progress. Such business can be trundlers, meaning the enterprises that do not add value to employment creation but people engage in them for survival (Ertek, Tokdemir, Sevinç & Tunç, 2017). The promotion of entrepreneurship education will create value for entrepreneurs and the society as a whole through employment creation (Esterhuizen, Du Toit & Schutte, 2012).

#### 4. Importance of Entrepreneurship Education

Education in general is a fundamental aspect for growth that requires the ability to learn and understand the topics that are essential for one's development (Grecu & Denes, 2017). Everything that needs to be done requires skill and knowledge in order to be effectively executed. The lack of certain skills and knowledge to a certain practice creates challenges and might also lead to failure. In the context of businesses, most of them tend to fail due to the lack of specific skills and knowledge about how businesses operate (Chimucheka, 2014). Therefore, it is essential that if an entrepreneur is to start a business, adequate information, knowledge and skills need to be acquired (Grecu & Denes, 2017).

The significance of entrepreneurship education lies in the fact that it helps build and capacitate individuals by developing their entrepreneurship skills for them to be able to be innovative and visionary (Audretsch, 2018). On the other hand, it also helps in moulding and changing the attitude of the individuals such as

encouraging positive thinking towards situations and lastly to help individuals to identify opportunities and to be open-minded for the awareness of the different career paths through entrepreneurship that are available beyond what they already know (Schoof, 2006; Carey & Matlay, 2010). The world is progressing and there is a shift towards a knowledge-based economy, the assumption is that many people are going to school and becoming educated. This emphasises on the idea that the graduate output is increasing, and a high rate of people is acquiring an academic qualification and they need to be employed (Grecu & Denes, 2017). Therefore, this creates a situation of high unemployment rates due to the fact that the economy is unable to accommodate everyone since there are limited jobs or open posts. In this sense, that is why entrepreneurship education should be encouraged to create more employment opportunities (Kritikos, 2014).

Businesses are complex endeavors and have different contexts depending on their size, location, the type of business and other factors (Galvão, Ferreira & Marques, 2018). These factors create the need for entrepreneurs to learn about what they are getting themselves into and how to properly manage their businesses based on those factors involved that define their business (Chimucheka, 2014). This is when the role of entrepreneurship education comes into play for businesses to learn and acquire knowledge and information. The problem with this approach lies in the fact that not all entrepreneurs have access to entrepreneurship education, especially those businesses in the rural areas (Galvão *et al.*, 2018). The assumption put forward is that there is a need for entrepreneurship education in rural areas.

#### 5. The Challenges of Enterprises in Rural Areas

Enterprises in South Africa, as much as they create employment they also face various challenges on day-to-day operations. The following section will discuss the challenges faced by enterprises that exist in rural areas:

##### 5.1 High Crime

Prinsloo, Matzopoulos, Laubscher, Myers and Bradshaw, (2016) state that in rural areas there is high crime rate which can affect the enterprises negatively and delay its progress. Medium and

small enterprises are formal and registered enterprises with a greater turnover. Therefore, they can mitigate crime by hiring security companies to guard their premises. However, other enterprises depend on security guards for security and due to low wages for the guards; they end up becoming the orchestrators of crime activities (Singh, 2016). There are limited professional security companies in rural areas, most enterprises for security depend on individuals which mostly do not hold registered fire arms but they hold batons meaning their lives are at risk. Micro-enterprises are informal enterprises and their turnover is up to R100 000 (Fatoki, 2012). Micro-enterprises do not make a lot of profits based on their operation and few number of people they employ (Beck, 2013). Some entrepreneurs in rural areas when closing the shop, they take their stock home with them for safety and that means the transportation money should be included in the business budgets (Koyana & Mason, 2017). Most robbers target micro-enterprises, based on poor security because they do not make enough profits to hire security companies to guard the shop premises (Burton *et al.*, 2006). That discourages many entrepreneurs in rural areas from establishing an enterprise due to high crime rate and lack of police patrol at night.

## **5.2 Lack of Infrastructural Facilities**

Lack of infrastructural facilities such as water, road network, incessant electricity, waste disposal facilities and sewers is a problem in rural areas (Dedehouanou *et al.*, 2018). Lack of infrastructure can limit enterprises to operate effectively, therefore developed countries have infrastructure facilities that to enable enterprises to perform well (Fatoki, 2012). Lack of infrastructural facilities in rural areas, delay the progress of enterprises. The dominance of unemployment, poverty and illiteracy exist in rural areas and a business is regarded as a solution to solve socio-economic issues (Makgamatha & Meso, 2018). Lack of infrastructural facilities in rural areas makes it difficult for consumers to access the enterprises to purchase products and services. A lack of road infrastructure also demotivates investors to start enterprises in rural areas. The road plays a crucial role in location for enterprises because the business cannot operate at a place whereby the customers will not be able to access the goods and services (Perkins, Fedderke & Luiz, 2005). Lack of proper roads makes the transport expensive and that force the enterprises to reduce their prices and

that affect the profits of a business. The power cuts also affect enterprises such as supermarkets, internet cafes, restaurants and retail stores. Enterprises that provide perishable products are mostly affected by power cuts, loss of stock and there is no compensation for that loss (Dedehouanou *et al.*, 2018). The interrupted electricity in rural areas affect the operation of enterprises and that discourage entrepreneurs to expand their enterprises with the fear of risking money and resources (Dedehouanou *et al.*, 2018).

## **5.3 Financial Sustainability**

Lack of access to finance is a challenge that faces many enterprises because other enterprises have the potential to expand but due to lack of finances they become limited (Fatoki, 2012). In South Africa, there are financial agencies such as National Youth Development Agency, Small Enterprise Development Agency and Small Enterprise Finance Agency (Abor & Quartey, 2010). The financial institutions in South Africa are criticised for the long process and complicated documents. Lack of financial institutions in rural areas is a stumbling block for the progress of enterprises. Most of the government financial institutions exist in urban areas and townships; while rural areas are affected by poverty and unemployment (Abor & Quartey, 2010). An enterprise, require funding in order to operate smoothly and employ the local people which will increase their purchasing power to afford basic needs and wants (Singh, 2016).

## **6. The Contribution of Entrepreneurship Education in Empowering Enterprises in Rural Areas**

Entrepreneurship education has grown over the past years in a sense that is now accommodating every individual who want to start a business or already has a business despite the complexity or the size of the business (Gamede & Uleanya, 2018). History shows that entrepreneurship education was only focusing on entrepreneurs who owned and managed small businesses and had little or no formal education. People with higher levels of education and even those at the developing regions begin to value entrepreneurship education (Galvão *et al.*, 2018). In promoting the entrepreneurship education, the idea that the form of entrepreneurial education needed by individuals or organisations will differ based on their context (Chimucheka,



2014; Galvão *et al.*, 2018). This shows the level of significance in acquiring entrepreneurship education for the sake of creating a solid business that will be economically competitive (Kritikos, 2014; Grecu & Denes, 2017). South Africa, despite being a developing country, it has one of the highest economic statuses in Africa and compared to a few other countries across the globe (Kritikos, 2014; Gamede & Uleanya, 2018). It is unfortunate to notice a slow economic growth due to certain constraints faced by small businesses, especially in rural areas where their businesses are faced with multiple challenges. Those challenges include lack sufficient managerial skills to effectively manage new ventures and also the lack of sufficient entrepreneurial practices that can help improve the economic status in the communities.

The entrepreneurship education enlightens the entrepreneurs to be innovative and move with the current trends. The entrepreneurship educations can transfer skills such as marketing, technical, planning and management, financial, communication and other skills (Packard, 2017). The marketing skills can assist the entrepreneurs to know the interests of their target and provide the expected goods and services to satisfy the customers. Most enterprises in rural areas, due to lack of market research, they tend not to know what the customers want and the businesses end up performing poor. Technical skills are crucial for enterprises such as commercial farming (Méndez-Barrimentos, Kemerink, Wester & Molle, 2018). People in rural areas depend mostly on agriculture for employment and if employers have technical, skills can transfer the skills to employees to increase the production of goods and services (Glover & Jones, 2019). The aim of a business is to make profit and the entrepreneurs need to know on how to plan and manage the business. The entrepreneurship education can assist the employers with the management skills to ensure that they identify the needs of the business, draft objectives, identify constraints, and draft competitive strategies and plan on how to mobilise the resources (Malebana & Swanepoel, 2015).

A lack of financial and accounting skills in the enterprises is a major contributor to their poor performance (Burton *et al.*, 2006). Enterprises should have records of the money that comes in and that comes out of the business. In some incident, the managers tend to use the business money for personal use without even recording it in the account

ledger of which will means the money that is supposed to expand the business is used for personal use (Packard, 2017). In terms of communication, the employers should have the literacy skills such as writing, reading and computer literacy. The level of education amongst entrepreneurs are not the same, others have tertiary qualifications, colleges, secondary and primary education. The entrepreneurial education can impact skills such as computers training to ensure that entrepreneurs are able to communicate with other entrepreneurs (Nabi, 2017). The employers also need to communicate with suppliers through emails for formalities instead of using the telephone. Entrepreneurship education can contribute to the employers by ensuring that they employ management marketing skills (Packard, 2017).

## 7. Conclusion and Recommendations

The study used qualitative research design to collect data from journals, government documents and the results has shown that; there is a need for entrepreneurship education in rural areas for the emerging entrepreneurs as well as for the businesses that already exist despite their size or level of complexity. This endeavour will assist in helping the new and existing ventures to grow efficiently and become sustainable. Individuals need to acquire certain skills that are necessary for managing and sustaining a business. These skills should focus on cognitive skills, social and relational skills, technical skills and management skills. The promotion of entrepreneurship education in rural areas should be promoted not only for learners or students in schools but also for community members who are entrepreneurs or those who desire to be entrepreneurs. This will require different influential actors to be involved to ensure that entrepreneurship skills are transferred to the rural people. The actors should include the government that will play a role in initiating and influencing policies that encourage and support entrepreneurship; big companies should be able to transfer skills and empowering others by providing support and allowing subordinates the opportunity to be creative and innovative.

These companies should not only be limited to assist their subordinates but also engage in Corporate Social Responsibility (CSR) initiatives to boost the struggling rural communities. The other actor that will play a significant role is educational institutions (schools and universities) that should start

introducing programmes that includes learning about entrepreneurship and developing the skills of students on how to start and manage a successful business. Such a program should be supported by the policy makers in writing and the local government such as municipalities and other government departments should be involved to ensure that the programme is funded. All these actors should engage in a collaborative effort and introduce campaigns that invite the rural entrepreneurs to come forward to learn more about entrepreneurship. Those in government can help enlighten the people about the opportunities and companies can show how they can assist, and educational institutions can invite the people to come learn about entrepreneurship. The local government can use local economic development coordinators to ensure that they monitor entrepreneurship education program to ensure it is effective.

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