

**RURAL ENTREPRENEURSHIP AND ITS IMPLICATIONS ON LOCAL ECONOMIC
DEVELOPMENT: A CASE OF MOGALAKWENA LOCAL MUNICIPALITY,
WATERBERG DISTRICT, LIMPOPO PROVINCE**

By

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DECLARATION

I declare that the thesis '***Rural Entrepreneurship and Its Implications on Local Economic Development: A Case of Mogalakwena Local Municipality, Limpopo Province***' hereby submitted to the University of Limpopo, for the degree Doctor of Administration (Development Planning and Management) has not been previously submitted by me for a degree at this or any other university; that it is my work in design and in execution, and that all material contained herein has been duly acknowledged.

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DEDICATION

I dedicate this thesis to my late grandmother, Change Christina Mashamaite, who passed away in 2005. May her soul continue to rest in eternal peace. I also dedicate this thesis to my entire family for their unwavering support throughout my academic journey.

ABSTRACT

Rural entrepreneurship is a relatively young sector in the entrepreneurship field, but it has emerged as one of the most important tools for rural economic growth in developing nations like South Africa. A majority of poor people live in the rural areas and face the challenges of extreme poverty levels, high unemployment rates, appalling socio-economic conditions, and inequalities. Therefore, rural entrepreneurship is regarded as a vital tool for accelerating Local Economic Development (LED) and improvement of the quality of life of the rural people and their communities. Rural entrepreneurship stimulates economic development by improving economic conditions, creating employment, reducing poverty and improving the overall standard of living of the rural populace. Theoretically, there is clear consensus that rural entrepreneurship has the potential to reduce poverty, unemployment, economic inequalities and low income as well as value creation and improving standards of life in rural areas through the creation of new enterprises. Entrepreneurial activities stimulate the local economy and create employment opportunities through the creation of new enterprises in the rural areas. Thus, entrepreneurship development is seen as one of the important components of LED and the development agenda in most developing countries. However, entrepreneurial success is dependent on various factors, internal or external, such as the need for achievement, locus of control and desire for personal control of business, human capital, infrastructure, training, communication network, financial support, business environment, economic climate, competitiveness, risk-taking propensity, confidence, and regulatory environment. These factors may determine or influence the success of enterprises, thereby hampering LED efforts in a particular locality.

Literature further reiterates the importance of rural entrepreneurship development towards accelerating economic development of local communities in the developing countries. Entrepreneurship development is regarded as a driving force of local economic growth and development in the developing countries. Many developing countries are faced with numerous socio-economic challenges of extreme poverty levels, high unemployment rates, stagnant economic growth and poor living conditions. Entrepreneurship development has become an important policy agenda and priority for employment creation, poverty reduction and economic growth and development of communities in many developing countries. Thus, many developing countries have turned their focus on entrepreneurship development as an important mechanism

and driver of economic development with expectations of addressing these challenges. Despite such efforts, entrepreneurship development in developing countries faces challenges such as financial, human, management, lack of access to markets, lack of capacity, lack of infrastructure and appropriate regulations. These challenges affect and undermine the potential of entrepreneurship to stimulate LED and address challenges affecting many developing countries. The role of local government in creating an enabling environment for entrepreneurial activities and LED to thrive is widely acknowledged in most developing countries. Local governments in developing countries have become important vehicles for the promotion and implementation of LED and the creation of enabling environment for entrepreneurial activities to take place. LED in these developing countries is driven mainly by globalisation and decentralisation as an important strategy to local development. Globalisation and decentralisation play an important role in reconfiguring of planning approaches to local and regional development in developing countries.

The observations above are also prevalent in South Africa, where entrepreneurship development is one of the national development policy imperatives. However, South Africa has a low entrepreneurial rate compared to other developing countries because of various factors including those highlighted above. Lack of entrepreneurial spirit or culture is increasing highly in the country. Entrepreneurship development and LED practice in South Africa is shaped by overwhelming policies and legislations, which seek to support and encourage entrepreneurship and LED. These regulatory frameworks are aimed at creating conducive and enabling environment for LED and entrepreneurial activities to take place. Local governments have a constitutional obligation to promote social and economic development as well as improving the overall standard of living of local communities within the municipal area. In the process, municipalities must work collectively with local people and local stakeholders to develop their communities. LED has been adopted as one of the strategies to local growth and development of communities in South Africa. Despite LED efforts, the country continues to grapple with societal challenges of poverty, unemployment, inequality and stagnant growth of the economy. Currently, municipalities are plagued with various challenges and are in a dire state that threatens the ability to fulfil their constitutional and developmental mandate of promoting social and economic development.

The aim of this study was to investigate rural entrepreneurship and its implications towards LED in the Mogalakwena Local Municipality, Limpopo Province. To achieve this aim, the study adopted descriptive, positivist case study design, and used the concurrent mixed methods approach to achieve the aim and objectives of the study. The study sampled 54 rural entrepreneurs around three Service Delivery Areas (SDAs) of Mokopane, Mapela and Bakenberg in Mogalakwena Local Municipality as well as key informants from Small Enterprise Development Agency, Local Economic Development Agency (LEDA) and Municipal LED Unit. A semi-structured questionnaire was used to solicit data from rural entrepreneurs whereas an interview schedule was used to solicit data from key informants. The study findings affirm that rural entrepreneurship plays a significant role towards LED through poverty alleviation, employment creation, economic opportunities, income generation, value or wealth creation, migration and overall improvement of the standard of living of local communities in Mogalakwena Local Municipality. Rural entrepreneurship is seen as one of the stimulators of economic activities in rural areas within the municipality. Despite the affirmation, the study found that rural entrepreneurs are faced with persistent challenges such as lack of access to finance and markets, lack of skills or capacity, stiff regulations and completion, crime, lack of infrastructure, lack of support by the municipality and poor participation or integration in LED. These challenges inhibit entrepreneurial activities to take place, thereby threatening the survival and success of rural enterprises. Therefore, the study recommends measures such as creation of an enabling regulatory environment, financial support models for entrepreneurs, skills development and training, recognition and integration of rural entrepreneurs in LED fora and promotion of entrepreneurship culture to maximize the potential of rural entrepreneurship in Mogalakwena Local Municipality. Additionally, future research is also important to tap into the niche area of rural entrepreneurship.

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LIST OF ACRONYMS

ASGISA	: Accelerated and Shared Growth Initiative of South Africa
B-BBEE	: Broad-Based Black Economic Empowerment
CoGTA	: Department of Cooperative Governance and Traditional Affairs
DPLG	: Department of Provincial and Local Government
DPME	: Department of Planning, Monitoring and Evaluation
DSBD	: Department of Small Business Development
DTI	: Department of Trade and Industry
EU	: European Union
GDP	: Gross Domestic Product
GEAR	: Growth Employment and Redistribution
GEM	: Global Entrepreneurship Monitor
GIZ	: Gesellschaft für Internationale Zusammenarbeit
IDP	: Integrated Development Plan
IEDC	: International Economic Development Council
ILO	: International Labour Organisation
ISPESE	: Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprise
LED	: Local Economic Development
LEDA	: Limpopo Economic Development Agency
MDGs	: Millennium Development Goals
MFMA	: Municipal Financial Management Act
NDP	: National Development Plan
NPC	: National Planning Commission
NSDP	: National Spatial Development Perspective

OECD	: Organization for Economic Co-corporation and Development
PGDS	: Provincial Growth and Development Strategy
RDP	: Reconstruction and Development Programme
SALGA	: South African Local Government Association
SDAs	: Service Delivery Areas
SEDA	: Small Enterprises Development Agency
SEFA	: Small Enterprise Finance Agency
SMEs	: Small and Medium Enterprises
SMMEs	: Small, Medium and Micro Enterprises
SPSS	: Statistical Package for Social Sciences
TEA	: Total Entrepreneurial Activity
UN	: United Nations
UNDP	: United Nations Development Programme
WB	: World Bank

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1.1 INTRODUCTION AND BACKGROUND

The majority of people living in rural areas, especially in developing countries, are facing challenges of extreme poverty, high unemployment, economic and social inequalities as well as stagnant economic growth, with approximately 1.3 billion people are living in extreme poverty around the world, with over 900 million residing in the rural areas (Awasthi, 2011; Apata, Alani & Bioku, 2015; Kirabira, 2015). For these deplorable conditions in rural areas, most developing countries have pushed for pro-poor development techniques including Local Economic Development (LED) and entrepreneurship development, which focus on raising rural people's living standards. As such, many governments and development policy makers have realized the need and significance of encouraging entrepreneurial activity to stimulate LED in most rural communities. This means that, the promotion of entrepreneurship is one of the most crucial tools for addressing local economic difficulties in the rural areas. Accordingly, rural entrepreneurship development has since attracted widespread attention as an instrument for economic development to address the dramatic economic slumps affecting many rural areas (European Commission, 2012).

Rural entrepreneurship is considered as a key mechanism for alleviating poverty, employment creation and increased growth in the economy and prosperity in rural environments (Ansari, Mirdamadi, Zand & Arfaee, 2012). In other words, rural entrepreneurship has the potential to reduce poverty, unemployment, economic inequalities and low income as well as other aspects of human life in rural areas through the creation of new enterprises. According to Kirabira (2015), entrepreneurship in rural areas is based on nurturing local entrepreneurial talent and growing local businesses, which in turn create jobs and add economic value to a region while preserving scarce resources in the community. Through the establishment of new firms, entrepreneurial activities improve the local economy and create jobs, subsequently creating more wealth and prosperity in the country. Thus, the promotion of rural entrepreneurship development can be seen as one of the critical components for the LED trajectory and development agenda of

most developing countries. As result, numerous debates have emerged about the promotion of rural entrepreneurship in order to stimulate LED across and beyond these countries. LED is a “process in which local governments and/or community-based groups manage their existing resources and enter into partnership arrangements with the private sector, or with each other to create new jobs and stimulate economic activity in an economic area” (Triegaardt, 2007: 4). In other words, LED is based on identifying, harnessing and using local resources and capabilities as well as partnerships to create employment opportunities, stimulate the local economy and improve the overall well-being of the local area.

One of the most important tactics for accelerating economic development through capital formation and wealth creation is to encourage entrepreneurship in rural areas (Kaburi, Mobegi, Kombo, Omari & Sewe, 2012; Nolan, 2003). Kirabira (2015) highlighted that about 70 percent of a region's economic output depends on how entrepreneurial the region's economy is. Toma, Grigore and Marinescu (2014) noted that over 80 percent of new job opportunities in the United States of America were associated with the creation of enterprises during the 1980s, while in Japan, 80 percent of the total number of employees are employed by small and medium enterprises. However, the promotion of entrepreneurship development continues to be challenged by a myriad of factors. These include lack of financial backing from financial institutions, a hostile legal climate, a lack of access to markets, financing, credit, and capital, a scarcity or lack of skills, and lack of information (Dilip, 2014; Phungwayo & Mogashoa, 2014; Agbenyegah, 2013; Ansari *et al.*, 2013; Ngorora & Mago, 2013; Patel & Chavda, 2013; Fatoki & Van Aardt-Smit, 2011). As a result, local communities continue struggling to cope with unconducive socio-economic conditions instigated by such factors despite wide recognition and acknowledgement of entrepreneurship's contribution towards poverty reduction and employment creation as well as economic growth at the local level. Nevertheless, governments around the globe have since recognised the significant role of entrepreneurial activities to the socio-economic development of the local people, particularly the poor in the rural areas.

The White Paper on Small Businesses in South Africa expects entrepreneurial activity and small business development to decrease poverty in the country by creating jobs, providing income for

poor people to meet their needs, and enhancing economic growth, innovation, and competitiveness (Department of Trade and Industry, 1995). On the other hand, the Accelerated and Shared Growth Initiative of South Africa (ASGISA) of 2006 envisaged the country to be an entrepreneurial nation, vibrant and a competitive sector (Industrial Development Corporation (IDC), 2008; National Planning Commission (NPC), 2012). Similarly, the National Development Plan (NDP) prioritises the promotion of entrepreneurship and small businesses as critical mechanisms to eliminate poverty and create employment opportunities through entrepreneurial and small businesses development by the year 2030 (NPC, 2012). The NDP notes the need of fostering an environment that allows small businesses to thrive and solve the country's poverty, unemployment, and inequities. Accordingly, entrepreneurship promotion and development remain one of the most important policy priorities for the new government to date (Department of Trade and Industry (DTI), 2005). The study therefore seeks to investigate the implications of rural entrepreneurship towards Local Economic Development in the Mogalakwena Local Municipality, Limpopo Province. The objective is to determine the extent to which rural entrepreneurship can accelerate and stimulate LED in rural areas with the ultimate aim of addressing socio-economic challenges. This chapter provide the foundations of the study and focuses on the background, problem statement, aim and objectives, research questions, clarification of key concepts, methodology adopted, validity and reliability, ethical issues considered and significance of the study.

1.2 STATEMENT OF THE RESEARCH PROBLEM

Entrepreneurship is one of the most important factors of economic progress due to its potential contribution towards economic growth, employment creation, wealth creation and poverty reduction for both the government and individuals at the local level (Imafidon, 2014; Olele & Uche, 2012). To achieve this, there is a need to stimulate and accelerate LED and create an enabling environment for rural entrepreneurship to flourish and thrive in a rural environment. Entrepreneurship in South Africa is perceived as contributing to the Gross Domestic Product (GDP) where it constitutes up to between 37% and 72% of employment (Kumo, Omilola & Minsat, 2015). Accordingly, entrepreneurial activities constitute a major source of employment,

increased growth in the economy and wealth of most countries including South Africa. However, various existing barriers such as the lack of management skills, infrastructure, access to markets, financial support, and appropriate technology, a burdensome legal and regulatory environment, tax burden, poor infrastructure, and a low level of economic activity in the rural areas threaten the creation of an enabling environment, and the development of rural entrepreneurship as a form of LED stimulation in the rural areas (Ngorora & Mago, 2015; Babuchowska & Marks-Bielska, 2013; DTI, 2005; Department of Trade and Industry, 1995).

Essentially, entrepreneurial activities at the rural level are faced with critical factors that hamper the efforts of accelerating economic growth, poverty reduction and employment creation through LED (Masumbe, 2018; Koyana & Mason, 2017; Delalić, 2014). Although rural entrepreneurship's benefits to economic growth, job creation, wealth generation, and poverty reduction are well acknowledged around the world, the plight of South Africa's rural communities remains inhibited by the societal problems of high poverty and unemployment rates, stagnant local economies and lack of economic opportunities (Fiseha, Kachere & Oyelana, 2019). Additionally, despite the importance of LED in rural areas, little has been done to tap on the potentials of rural entrepreneurship in the Limpopo Province, particularly in the Mogalakwena Local Municipality. Therefore, it is in this context that the study investigated the implications of rural entrepreneurship towards LED using the Mogalakwena Local Municipality as a case study.

1.3 RESEARCH AIM AND OBJECTIVES

The overall aim of the study was to investigate the implications of rural entrepreneurship towards LED in the Mogalakwena Local Municipality, Limpopo Province, and to recommend measures to enhance rural entrepreneurship development towards stimulating LED in rural areas. The objectives drawn from the overall aim are as follows:

- To examine the significance of rural entrepreneurship;
- To evaluate the challenges facing rural entrepreneurship;
- To examine the role of local government in LED planning and promotion;

- To investigate the implications of rural entrepreneurship on LED;
- To recommend measures to enhance rural entrepreneurship development towards stimulating LED in rural areas.

1.4 RESEARCH QUESTIONS

The general research question of the study is as follows: What are the implications of rural entrepreneurship towards LED in the Mogalakwena Local Municipality, Limpopo Province? The following sub-questions are drawn from the main research question:

- What is the significance of rural entrepreneurship?
- What are the challenges facing rural entrepreneurship?
- What is the role of local government in LED planning and promotion?
- What are the implications of rural entrepreneurship towards LED?

1.5 DEFINITION OF TERMS

The following key terms are defined below to clarify the context in which they are used in the study. These terms include the concept of entrepreneurship, rural entrepreneurship, economic development and local economic development.

1.5.1 Entrepreneurship

Akinwale (2014) described entrepreneurship as the process of starting and running a business, an act of recognising opportunities, mobilising resources to take advantage of the opportunities identified, and ensuring the provision of goods or services and making profits for the risk associated with production. Toma *et al.*, (2014) reiterate that entrepreneurship is a process that includes the discovery, evaluation and use of opportunities to introduce new products, services, processes, and forms of organization or markets. In this context, entrepreneurship is defined in this study as a process of developing and managing a business venture for profit through risk

taking and recognising opportunities and mobilising resources to take advantage of such opportunities.

1.5.2 Rural Entrepreneurship

Rural entrepreneurship is defined as the creation of a new organization that introduces new products, serves new markets, creates new markets, and uses new technologies locally (Yu & Artz, 2009; Mugobo & Ukpere, 2012). Similarly, rural entrepreneurship is defined as entrepreneurship that arises in rural areas and can take place in a variety of fields of activity such as business, industry and agriculture, and can act as a potent factor in economic development (Dilip, 2014; Paul & Sharma, 2013). In this study, rural entrepreneurship refers to an entrepreneurial activity that emerges from a rural setting, which involves the establishment of an enterprise, business or organisation by recognising and taking advantage of opportunities, mobilising and utilising local resources to provide goods and services for profit in a rural environment.

1.5.3 Economic Development

Economic development can be described in terms of goals such as job creation and the improvement of the quality of life or as a growth-influencing process in order to increase the economic well-being of a community or society (Toma *et al.*, 2014). Economic development is defined as the process that influences growth and restructuring of an economy in order to improve the economic well-being of a community through job and wealth creation, job retention, tax base enhancements and quality of life (International Economic Development Council (IEDC), n.d). Against this backdrop, the study maintains the latter definition by IEDC.

1.5.4 Local Economic Development

Triegaardt (2007) defines LED as the process by which local governments and/or community-based groups manage their existing resources and partner with the private sector or with each

other to create new jobs and stimulate economic activity in a local area. Likewise, LED is seen as a local development approach with a territorial focus, which enables local actors to understand their economy, identify needs, mobilise resources internally and externally, and jointly take measures to improve the local economy in order to reach its full potential (Wekwete, 2014). In this study, LED is defined as a locally driven process whereby local government, communities, the private sector and civil society collectively work in partnership to create an enabling environment, stimulate growth in the economy and create jobs through the use of available local resources to improve the living standards of the local communities.

1.6 RESEARCH DESIGN AND METHODOLOGY

A research methodology is a systematic and theoretical analysis of procedures that apply to a field of study (Kenya Projects Organisation, 2016). Research methodology is an investigation strategy that moves from underlying assumptions to research design and data collection (Thomas, 2010). Accordingly, all research is based on some underlying philosophical assumptions about what constitutes valid research and what research methods are appropriate for developing knowledge in a particular study (Thomas, 2010). Research methodology focuses on how the research was conducted, methods and procedures to be used and includes research design, target population, sample size and sampling procedure, data collection and analysis methods and procedures. Research methodology refers to the methods, techniques, and procedures used in implementing the research design or plan (Schurink, 2010).

1.6.1 Research Design

The research design refers to the overall strategy that you choose to integrate the different components of the study in a coherent and logical way, thereby, ensuring that the research problem is effectively addressed (De Vaus, 2001). The research design for the study is descriptive and positivist case study, which was analysed through the mixed methods approach. The positivist paradigm explores the facts or reasons for the social phenomenon without the subjective interpretation and focuses on reasoning to ensure precision, objectivity and rigour,

rather than hunches, experiences and intuition for the study of the research problems (Collis & Hussey, 2003). Positivism is about uncovering truths and using empirical means to present them (Thomas, 2010). Given the positivistic stance adopted for the study and the nature of research questions, the case study approach was considered the most appropriate design for this study simply because it can provide an in-depth understanding of the phenomena and perceptions of participants from a real-life situation.

Case study is defined as an empirical investigation that examines phenomena in their real-life context, especially when the boundaries between phenomenon and context are not clearly apparent and tries to answer research questions from multiple sources from the case situation (Rowley, 2002). The nature of the research problem, research questions and aim compelled for a purposeful research design towards achieving the objectives of the study, thus a mixed methods approach was used to conduct the study to increase the scope of the research. Mixed methods research design is a process of collecting, analysing, and blending quantitative and qualitative methods in a single study or a series of studies to understand a study problem (Creswell, 2012). According to Vosloo (2014), the purpose of mixed methods research is not to replace quantitative or qualitative research approaches, but to take advantage of these approaches and minimize possible weaknesses. In this approach, concurrent mixed methods procedures were used. According to Creswell (2009), concurrent mixed methods are those wherein the researcher brings together quantitative and qualitative data to offer a complete evaluation of the research problem. This method allowed the researcher to collect both qualitative and quantitative data in parallel or at the same time (concurrently). In other words, qualitative and quantitative data were collected within this study. Hence, the study combined both qualitative and quantitative methods to achieve the objectives of the study and generate conclusions that are comprehensive and credible. Use of the concurrent mixed methods approach was to integrate qualitative and quantitative data sets and subsequent results within this study and explicitly interrelate them to reach justifiable conclusions.

1.6.2 Study Area

The study was conducted in the three Service Delivery Areas (SDAs) with entrepreneurial activities within Mogalakwena Local Municipality, Waterberg District, Limpopo Province. According to the 2015/16 Mogalakwena Local Municipality's Integrated Development Plan (IDP), the municipality has a well-defined and established development footprint, with three proclaimed townships, 178 villages, and a population of around 307682 people divided into three SDAs: Bakenberg, Mapela, and Mokopane, and 32 wards. Due to the Municipality's geographical size, the study solely looked at the entrepreneurial and economic hotspots in these SDAs. After numerous municipalities and councils that had previously serviced Potgietersrus and its surrounding areas were consolidated in 2000, Mogalakwena Local Municipality, a Category B municipality, was founded. The local authorities of Greater Potgietersrus (Mokopane), Bakenberg, and Koedoesrand/Rebone were united to form the new municipality. Mogalakwena Municipality is located in the Limpopo Province's western quadrant, within the western district of the Waterberg District Municipality, and is bordered on the east by the Capricorn District, on the south by Mookgophong/Modimolle, and on the north by Lephalale (Local Government Handbook). The Municipality's LED strategy identifies mining, finance and wholesale as the major role players in promoting growth and development within the municipality, whereas other important sectors, such as tourism and agriculture, have the potential to play a significant role in the economy.

1.6.3 Target Population

Target population is defined as a group of elements on which the research is focused and from whom data will be acquired, and which will serve as the study's unit of analysis (Bless & Higson-Smith, 2000; Babbie & Mouton, 2001; Bless, Higson-Smith & Sithole, 2013). People, organizations, locales, regions, countries, and incidents could all be considered units of analysis in the study. Thus, the target population is a set of elements on which the researcher intends to concentrate and draw conclusions. The target population for this study consisted of rural entrepreneurs (youth, male and female adults) who are actively engaged in some kind of

entrepreneurial activity in the three Mogalakwena Local Municipality SDA's. Thus, the study is not skewed towards any specific gender or age group, however targeted adult entrepreneurs with 18 years old and above. Importantly, these entrepreneurs engage in entrepreneurial activities, or their enterprises are located in the rural settings of the SDA's. The target population also comprises key informants (i.e., LED coordinator from Mogalakwena Local Municipality, officials from the Small Enterprises Development Agency (SEDA) Mokopane Office and Limpopo Economic Development Agency (LEDA)). These institutions or individuals form part of the LED Steering Committee of Mogalakwena Local Municipality.

1.6.4 Sampling Procedures

Sampling is the process of choosing a sample as a small part or subset of a defined population with the aim of representing the respective population (Vosloo, 2014). Participants for this study were chosen from a specific target demographic using a non-probability sampling approach. In this regard, the rural entrepreneurs and key informants were chosen using a purposive sample technique. According to Babbie (2010), purposive sampling is a method in which a researcher selects a sample based on his or her ability to select appropriate participants, knowledge about the target population, its components, and the study purpose. In other words, the researcher depends on their experience, skills and judgement in order to purposely obtain units of analysis. The researcher purposively identified rural enterprises or entrepreneurs based on the characteristics of an entrepreneur and rural entrepreneurship within Mogalakwena Local Municipality, in particular the three SDAs. Thus, the study purposely distributed 73 questionnaires to rural entrepreneurs (youth, female and male adults) or enterprises, instead of the initial target of 150 (50 in Mokopane SDA, 50 in Bakenberg SDA and 50 in Mapela SDA) from the three SDAs that fit the characteristics of an entrepreneur and rural entrepreneurship. However, the researcher only managed to collect data from 54 rural entrepreneurs (29 in Mokopane SDA, 11 in Bakenberg SDA and 14 in Mapela SDA) out of the 82, while 28 entrepreneurs could not be reached by the end of data collection. One of the challenges was that the entrepreneurs were not available or present at their premises at the time of data collection visits, while others were not willing to assist with data collection. Other entrepreneurs requested

to return the completed questionnaires after a few days but could not be reached afterwards for the researcher to collect the questionnaires. The researcher also managed to interview the LED coordinator/manager/officer from the Municipality, official from Small Enterprises Development Agency (SEDA) and another official from the Limpopo Economic Development Agency (LEDA) as key informants based on their active involvement and ability to elaborate on entrepreneurial activity and LED within the Municipality. It is worth noting that the sample was not drawn from a specific gender, age range, race, or nationality.

1.6.5 Data Collection Methods

In the study, the mixed methods approach was employed in the data collection process. In this approach, data collection is simultaneous or sequential and includes accumulating numeric statistics (e.g., on instruments) in addition to textual content statistics (e.g., on interviews) so that the very last database represents each quantitative and qualitative statistics to satisfactorily comprehend the research problem (Creswell, 2003). In other words, the mixed methods approach helps to collect both qualitative and quantitative data. According to Creswell, with this approach, the investigation is based on the concept that gathering a variety of data types is the most effective way to comprehend a study subject. The study reviewed literature for data collection through documentation as a secondary source of information about the phenomena under study in order to provide discussions and theories about the implications of rural entrepreneurship towards LED. The method assisted in collecting secondary data necessary for the study. For the purposes of this study, data were gathered from a variety of sources, including government records, archive materials, published and unpublished academic journal articles, online sites, and books.

The researcher used a questionnaire and a semi-structured interview schedule to collect primary data. In this study, questionnaires were distributed to 54 rural entrepreneurs in the three SDAs to collect quantitative data, and an interview schedule was used to obtain qualitative data from the four key informants about their perceptions, experiences, and challenges related to entrepreneurship and LED within the municipal jurisdiction. The questionnaire and interview

schedule were created to explore the perceptions of rural entrepreneurs and LED agents on the effects of rural entrepreneurship on LED in rural regions, based on the opinion statements, i.e., study questions and objectives. The questionnaire and interview schedule included both open-ended and closed-ended questions about the phenomena under study. Participants were able to offer in-depth qualitative data on their perceptions, knowledge, and experiences about the phenomena under study by answering open-ended questions, while closed-ended questions allowed respondents to provide quantitative data to understand the research problem. The data collected with the two tools were both qualitative and quantitative in nature.

1.6.6 Data Analysis Procedures

In respect to the study approach chosen or stated in 1.6.1, a mixed methods data analysis procedure was used. In a mixed methods approach, the type of data analysis employed is determined by the research strategy chosen for the procedures; however, analysis occurs in both quantitative and qualitative ways, as well as regularly between the two. As a result, methodologies for both qualitative and quantitative data analyses were used. Qualitative analysis produces descriptive results, which means that words rather than statistics are used to describe and comprehend the events being studied. Key informant qualitative data were transcribed and incorporated into data analysis and interpretation. The study used the Statistical Package for Social Sciences (SPSS) software to evaluate quantitative data utilizing a coding procedure in which data were converted into numerical representation for descriptive statistical analysis. Quantitative analysis, in the words of Babbie (2010), focuses on numerical representation and manipulation of perceptions in order to characterize and explain the processes reflected in those observations. The researcher can save, compute, and analyse data, as well as construct statistical analyses and descriptive statistics in the form of graphs, charts, tables, percentages, frequencies, and averages, using the software package.

1.6.7 Validity and Reliability

Asha (2014) describes validity as a situation in which a certain instrument provides information that relates to the generally accepted meaning of a certain concept. Welman and Kruger (2001) describe validity as a method that guarantees that the data collection process has efficaciously acquired the preferred data. In this study, literature review was conducted from a wide range of sources and triangulation was used to compare various data (qualitative and quantitative). Furthermore, the study compared the findings of the study with findings of other researchers. The degree to which the results are consistent over time and accurately represent the entire population under investigation is referred to as reliability (Babbie and Mouton, 2001; Golafshani, 2003). According to Silverman (2006) and Gibbs (2007), the equipment used to collect data can be coded and cross-checked to improve reliability. This study conducted a pilot study to test the instruments used to minimise errors and misinterpretations. Furthermore, the study used the coding method and categorization (themes) during the analysis.

1.7 SIGNIFICANCE OF THE STUDY

Literature on rural entrepreneurship remains a growing subject of research and is therefore scanty with limited information. In other words, there is little research done or available on rural entrepreneurship despite widespread interests, however most of the studies on entrepreneurship focus mainly on urban areas, neglecting rural areas. Hence, the research adds to the body of knowledge on the subject of rural entrepreneurship and may provide opportunities, lessons, and awareness for additional research. Accordingly, the study also complements other research areas on LED planning and could be used as a point of reference for the promotion of rural entrepreneurship. The study further determined the entrepreneurial rate and nature of entrepreneurial activities within Mogalakwena Local Municipality. Most importantly, these findings may serve as the basis for LED planning and entrepreneurship promotion by determining the challenges and gaps, as well as opportunities that may be explored. The study raises awareness about the importance of entrepreneurial culture and activities for local growth and growth of the rural communities within the Municipality. The findings and

recommendations provide guidelines for developing comprehensive support structures for rural entrepreneurs for the purpose of enhancing their potential to accelerate and stimulate local economic progress and growth in rural areas. However, the study notes some of the challenges or limitations that may be encountered throughout the study. These include factors such as scant literature on rural entrepreneurship; limited number of entrepreneurs due to the fact that the study is limited to rural areas in the three SDAs; refusal to provide some information by participants; constrained mobility during data collection due to the distance among the three SDAs, as well as the nature of rural areas, and shortage/limited grants or funds towards the project.

1.8 ETHICAL CONSIDERATIONS

De Vos, Strydom, Fouche and Delport (2011) note that ethics are generally accepted set of guidelines and expectations for researchers' behaviour towards subjects and participants such as employers, sponsors, other researchers, assistants, and other students. To achieve this, the study upheld ethical guidelines to ensure credibility, accuracy and reliability, informed consent, privacy, confidentiality and anonymity, respect and dignity as well as voluntary participation. Firstly, all participants were informed of the purpose, nature and method of data collection before commencing to collect information. The consent was obtained from all participants and were assured that the obtained information is only used solely for academic purposes. Secondly, it was made it known to all participants that the study is solely for academic purposes, and that their participation is entirely voluntary, and no one is forced to take part in the study. Furthermore, the researcher ensured that privacy, confidentiality and anonymity of all participants were respected throughout the study and beyond. Again, the study also ensured that no participant was put in a situation that might be harmful to their physical, mental or psychological well-being, thus all participants were treated with utmost respect and dignity throughout the study and beyond. Lastly, all the necessary permissions and procedures were requested from relevant authorities or individuals to conduct the study. The ethical clearance was granted, and the study adhered to the plagiarism policy and ethical requirements of the University by acknowledging the sources used. Furthermore, all participants were provided feedback of the research results or outcomes after the conclusion of the study.

1.9 STRUCTURE OF THE THESIS

This thesis is structured into six chapters, which are outlined below as follows:

Chapter 1: Introduction and Background of the Study

This chapter covers the study introduction and background, as well as the research statement, research questions and objectives, important definitions, research design and methodology, significance of the study, ethical considerations, and the thesis structure.

Chapter 2: Rural Entrepreneurship and LED: Theoretical Perspectives

The theoretical perspectives on rural entrepreneurship and LED are discussed in Chapter 2. The theories and models that underpin the concept of entrepreneurship and local economic development are the subject of this chapter. Furthermore, the chapter defines rural entrepreneurship and focuses on comprehending the notion of entrepreneurship, entrepreneurship viewpoints, definitional clarifications of rural entrepreneurship, and factors that influence entrepreneurial success in rural areas. Finally, the chapter provides a conceptual framework for LED, focusing on defining the concept of LED, historical contexts, understanding local government as a sphere of government, local government's role in LED processes, and rural entrepreneurship as a mechanism for LED at the local government level.

Chapter 3: Theorising Rural Entrepreneurship and LED in Developing Countries

This chapter theorises the concept of rural entrepreneurship and LED in developing countries. The chapter focuses on understanding entrepreneurship, the significance of rural entrepreneurship and challenges facing rural entrepreneurship in developing countries. The chapter also conceptualises LED with a specific focus on the historical contexts, the role of local government and LED challenges facing developing countries.

Chapter 4: Rural Entrepreneurship and LED: A South African Perspective

Chapter 4 provides the South African experiences and practice on rural entrepreneurship and LED. It focuses on understanding South Africa's entrepreneurship environment by looking at

rural entrepreneurship, challenges facing rural entrepreneurs and policy framework and strategies supporting entrepreneurship development. In addition, the chapter discusses the nature of LED in South Africa, focusing on the historical perspective, legislative framework for LED, the role of local government, LED challenges and the current state of local government.

Chapter 5: Data Analysis and Interpretation

This chapter provides the analysis and interpretation of the data collected on the implications of rural entrepreneurship towards LED within the Mogalakwena Local Municipality in Limpopo Province. The focus is on the characteristics, significance and challenges of rural entrepreneurship, the role of the municipality on LED and the implications of rural entrepreneurship towards LED in the Mogalakwena Local Municipality.

Chapter 6: Summary, Key Findings, Limitations, Recommendations and Conclusion

This chapter provide the summary of the major research findings, limitations, recommendations and conclusion emanating from the study on rural entrepreneurship and its implications towards LED in the Mogalakwena Local Municipality.

CHAPTER 2: RURAL ENTREPRENEURSHIP AND LOCAL ECONOMIC DEVELOPMENT: THEORETICAL PERSPECTIVES

2.1. INTRODUCTION

Entrepreneurship is largely regarded as a vital tool for local economic development (LED) in the rural areas. According to Ngorora and Mago (2018), entrepreneurship can play an important role in promoting economic growth and development, rural development and poverty reduction. Similarly, Madzivhandila and Musara (2020); Malecki (2018); Bruton, Ketchen and Ireland (2013) see entrepreneurship as an integral part of economic development, poverty reduction, job creation and economic inclusion. Entrepreneurship development is necessary and crucial to address appalling conditions in rural communities such as high poverty levels and unemployment, economic exclusion and poor standards of living. As such, rural entrepreneurship may be a significant strategy for rural development in most developing countries (Ngorora & Mago, 2018; Boohene & Agyaspong, 2017).

Rural entrepreneurship boosts rural economic development by launching new firms. These enterprises create jobs, offer a diverse range of goods and services, promote competition, and boost productivity through technical advancements (Fiseha *et al.*, 2019). Rural entrepreneurship facilitates LED by improving economic growth, creating employment, alleviating poverty, creating value and improving the overall standard of living of rural communities. The theoretical ideas that underpin the domains of rural entrepreneurship and local economic development are explored in this chapter. The economic location theory, Schumpeter's theory of entrepreneurship, and personality traits theory are among the theories and models that underpin the concept of entrepreneurship and local economic development. The second section conceptualises rural entrepreneurship and focuses on understanding the concept of entrepreneurship, perspectives of entrepreneurship, definitional clarifications and characteristics of rural entrepreneurship and factors that influence entrepreneurial success in rural areas. The last part of the chapter provides the conceptual framework on LED, with specific focus on defining the concept of LED, historical contexts of LED, understanding local government as a sphere of government,

stakeholders in LED, LED planning process, approaches to LED and the role of local government in LED processes.

2.2. THEORIES OF ENTRENEURSHIP AND LOCAL ECONOMIC DEVELOPMENT

The complexity and multidimensional nature of problems associated with economic development have instigated diverse development theories, explanations, arguments and assumptions. These theories describe tools and techniques for achieving development objectives. According to Van der Waldt (2017), theories provide philosophical assumptions on the ontology, epistemology and methodology as well as methods for a scientific inquiry. There are various theories and models, by various scholars, that explain the field of entrepreneurship and economic development as well as how these activities take place in a particular locality. Additionally, these theories provide actions, structures, processes and mechanism for undertaking entrepreneurial and economic activities in a particular community. Some of the theories inform and influence planning, implementation and growth of local economies. The theories and techniques or models that underpin this investigation are discussed below for the purpose of this study. This will provide the theoretical assumptions that the study is based on and assist to align the study with the existing body of knowledge.

2.2.1. Economic Location Theory

Location theory deals with what economic activities exists, where and why such activities exist in a particular location (Dube, Brunelle & Legros, 2016). Thisse (2008) mentions that the ‘what’ refers to any kind of different type of economic activity, including businesses, housing, factories, offices, or public facilities, and the ‘where’ refers to a geographical area such as a region, city, jurisdiction, or customs union where such activities exist. According to Thisse (2008), the main purpose of location theory is to explain why particular industries or businesses settle in a particular location. The location theory also explains the distribution of activities in a particular space to identify factors that influence the location of individual activities (Capello, 2011). The theory is more concerned with the geographical location of economic activities and why such

activities are located in that particular location. Theorists from Von Thünen (1842) to Krugman (1991) have tried to understand what kind of economic activities take place at a particular point in space and why (Dube, Brunelle & Legros, 2016). Thus, the theory has since become an integral part of regional economics and economic geography. LED entails the development of a specific local territory with the goal of boosting the local economy's ability to grow, compete, and create jobs, particularly by better utilizing locally available resources (Trah, 2004). According to Capello (2011), space (i.e., region or locality) can affect the functioning of the economic system, providing economic strengths and weaknesses in terms of production and raw materials.

On the other hand, rural entrepreneurship is viewed as entrepreneurship emerging in rural areas which involve the establishment of an enterprise, business or industry by recognizing and taking advantage of opportunities, mobilizing and utilizing local resources to provide goods and services in a rural environment (Shreepad & Ahmed, 2016; Pato, 2015; Dilip, 2014; Paul & Sharma, 2013; Mugobo & Ukpere, 2012). In this case, rurality defines a territorially specific entrepreneurial milieu with pronounced physical, social and economic characteristics such as location, natural resources, landscape, social capital, rural governance, business and social networks as well as information and communication technologies that have dynamic and complex influences on entrepreneurial activity in rural areas (Stathopolou, Psaltopoulos & Skuras, 2004: 404). This, therefore, suggests that both LED and rural entrepreneurship are processes, which are highly influenced by specific territorial or spatial characteristics. The location theory explains why a particular enterprise chooses to be located in a rural setting and not in an urban setting. The rural milieu with all of its socioeconomic possibilities, is increasingly being viewed as a prospective entrepreneurship milieu (Gulumser, Nijkamp, Tuzin & Martijn, 2009). According to Nkuna (2016), the choice of location is determined by certain principles of spatial organization of activities such as market accessibility.

The Von Thünen (1842) model states that the distribution of economic activities around the centre (market) is relative to the rent that a company receives from the vicinity of the centre (market) (Legros *et al.*, 2016; Capello, 2014). In other words, LED and entrepreneurial activities

are located in such a way that they are easily accessible and closer to the market and to consumers or production factors such as land, labour and other resources. Thus, accessibility also plays a significant role in choosing to locate where LED and entrepreneurial activities take place. The location theory is mainly concerned with the entrepreneur's choice of the location of the firm. Thus, the choice of entrepreneurs to locate their entrepreneurial activities in a rural setting may influence the success and outcomes of entrepreneurial activities towards the local economy in the study areas. Rurality of an area may provide opportunities and disadvantages for entrepreneurs. In this context, the study sought to understand why entrepreneurs chose to locate their businesses in rural settings and how their choice of location or rurality influence their entrepreneurial activities towards growth of the local economy of the area.

2.2.2. Schumpeter's Theory of Entrepreneurship (Theory of Innovation)

According to Schumpeter's research, entrepreneurship is a unique sort of economic change that entails a new innovation being realized by a leader (entrepreneur) (Swedberg, 2007; Schumpeter, 1934). In this situation, a leader is an entrepreneur who possesses strong leadership abilities. Kumar (2016) hypothesizes that, according to Schumpeter's theory, innovation is the cause of economic change, which is defined as otherness in economic life and is an entrepreneurial function. Entrepreneurship is defined as the ability to respond to the environment in a creative and inventive way, as well as the ability to recognize, start, and capitalize on a business opportunity (Upadhyay & Rawal, 2018). According to Schumpeter, innovation is described as the economic or business use of something new, together with a brand-new product, process, or production method, a brand-new marketplace or source of supply, or a brand new commercial, business or economic organization (Swedberg, 2007). Croitoru (2012) argues that Schumpeter's hypothesis is that entrepreneurship is the main mechanism in the process of economic development, without which the collapse of the economic system is possible. According to Schumpeter, an entrepreneur causes disequilibrium by introducing innovations in the market or economic system (Vaz-Curado & Mueller, 2019).

An innovation, which is the introduction of something new, is the focus of Schumpeterian entrepreneurship (a new idea, method or device). The economic development of any company, region or country depends on innovation (Mehmood, Alzoubi, Alshurideh, Al-Gasaymeh & Ahmed, 2019). Innovation, according to Schumpeter's notion, is distinct from invention or discovery. An innovator is not always the same as an inventor. The Schumpeterian entrepreneur is the creator of innovation, which is the implementation of a business idea. An inventor in business terms is an entrepreneur whose function is entrepreneurship, the driving force behind all innovation and improvement in the enterprise, and the main source of economic development (Mehmood *et al.*, 2019). The visionary may have a vision, but he is not an entrepreneur until he puts his ideas into action. The entrepreneur is a person who establishes a business to carry out his or her ideas. The novel combinations that the entrepreneur produces are not always or even usually derived from earlier forms of production and distribution, but rather emerge alongside them. According to Schumpeter's theory (1934), an entrepreneur must take innovative measures so that the economy can develop further, such as introducing new products or new manufacturing technologies, opening up new markets, discovering new sources of supply or introducing new industry organizations (Ohyama, Braguinsky & Klepper, 2009). Furthermore, according to Schumpeter, an entrepreneur is an individual of action and economic leader who creates new combinations of already existing resources in the economy.

A new combination in the field of economics means the introduction of new qualities of products or new uses of existing products, new production methods, the opening of new markets and changes in the organization of the economy, for example, establishing a trust or setting up a business (Swedberg, 2007). He also claims that starting a new business is the most common kind of entrepreneurship. The emphasis is on the ability of an entrepreneur to provide new ways of exploiting existing resources, that is, new combinations, in order to modify a locality's economic system. According to Schumpeter's theory, anyone who possesses the aforementioned personal characteristics is an entrepreneur, and the entrepreneur's conception locates the basis of economic change in the entrepreneur's personality attributes. Entrepreneurship is defined as the process of identifying and exploiting opportunities, and the entrepreneur is a person who is differentiated by his or her ability to see opportunities. Entrepreneurship is a problem for

Schumpeter. It is a fight between new and old, between the most productive and the least productive, between new and improved products and services and old goods and services. Entrepreneurship is more than simply setting up businesses and running them successfully (Mehmood *et al.*, 2019). Entrepreneurs vary from the common businessperson. While everyone in business is important, has a business spirit and wants to move forward, the ideal entrepreneur and other ordinary entrepreneurs are on the same path. Ordinary businessmen do their best within traditional methods and product choices. They operate within the framework of sound management of the business. However, an entrepreneur is a person who breaks out of the mundane business and seeks new ways of doing business. Entrepreneurship in this context is not an activity that can be performed by anyone, but an activity that can be performed by people with certain characteristics, such as agents of innovation and change. Entrepreneurs are therefore individuals who are innovators and drivers of economic change.

2.2.3 Personality Traits Theory of Entrepreneurship

The important personality attributes for an entrepreneur to be successful is that they have to be competent, self-efficacy, innovative and be courageous in order to take risks (Kerr, Kerr & Xu, 2018; Munir; Jianfeng & Ramzan, 2018; Yan, 2010). According to Ahmed, Khattak and Anwar (2020), personality plays a central role in developing entrepreneurial concepts such as business decision-making, cognition, opportunity recognition and survival of new businesses. Karabulut (2016) and Frese (2009) emphasize the need for achievement, the locus of control (self-efficacy), the ability to innovate and the willingness to take risks as important personality traits, while education, experience, intellectual abilities and knowledge are important human capital traits for an entrepreneurial orientation. In this strand, an entrepreneur is described as an individual who is willing to take risks and generate new ideas (innovation) in pursuit of a venture(s). In this theory, an entrepreneur is assumed to have a particular personality type such as being innovative, creative, proactive, risk-taker, ambitious and being a leader. Thus, entrepreneurs should possess certain traits and attributes of personality that enable them to start new business ventures and run existing enterprises. In personality traits theory, it is assumed that the intentions of the entrepreneur are influenced by the individual's set of personality traits. Butz, Hanson, Schultz

and Warzynski (2018) argued that there is a significant correlation between personality traits and a person's entrepreneurial intentions. An entrepreneur is a person with above-average abilities in organizing and coordinating the factors of production, such as land, labour, capital and enterprise.

The personality approach to entrepreneurship aims to explain which characteristics motivate people to become entrepreneurs, with personality qualities ultimately impacting entrepreneurial success (Frese & Rauch, 2008). The personality trait theory suggests that entrepreneurship emerged because entrepreneurs possessed particular specific traits, attributes, or competences that enabled them to generate fresh ideas and start a new business. These individual attributes can determine the ability of entrepreneurs to perform and succeed in their business ventures (Shimoli, Cai, Naqvi & Lang, 2020). This theory holds that entrepreneurial success cannot be achieved if the entrepreneurial action is not infused by specific personality traits possessed by entrepreneurs. Shimoli *et al.*, (2020) discovered that there is a positive bias towards the personality traits that make successful entrepreneurs. Creative and innovative talents, a willingness to take risks, the capacity to build on organizational persistence, and foresight are all important characteristics of entrepreneurs. Frese and Rauch (2008) concluded that personality traits are associated with entrepreneurial behaviour such as business start-up and success. Entrepreneurship is a process in which an individual recognises and pursues opportunities by taking necessary risk and being innovative and creating a new venture. In this context, personality traits are considered to be important factors that can determine the success of entrepreneurs and are used to distinguish them from other individuals such as business owners. Thus, not anyone who owns and runs a business is considered to be an entrepreneur in the context of this study. Personality characteristics of an entrepreneur can significantly influence the entrepreneurial processes towards economic development of an area. As argued above, personality traits affect the intention of an individual to start and run an enterprise. Accordingly, personality traits such as need for achievement, ambiguity tolerance, locus of control, self-confidence, creativity and risk-taking propensity among others, dictate entrepreneurship intentions and success.

2.3 CONCEPTUALISING RURAL ENTREPRENEURSHIP

Rural entrepreneurship literature is a major topic of study within the field of entrepreneurship, but it remains a niche area of study and is often seen as a secondary research endeavour among scholars interested in the field (Pato, 2015; McElwee & Smith, 2014). Furthermore, despite the fact that entrepreneurship has been identified as one of the fundamental features through which rural economic development can be achieved, empirical studies on the subject is limited, and the notion remains largely unknown (Wahid, Abdurahuf, & Pal, n.d.). Furthermore, for more than a decade, entrepreneurship research has been limited to large-scale firms and industries, as well as the small-scale industrial sector. This tendency has recently spread to artisans and farmers, the two primary forces driving rural development (Sharma, Chaudhary, Bala & Chauhan, 2013). In light of the foregoing, the question of what constitutes rural entrepreneurship arises, and the necessity to comprehend the conceptual paradigm of rural entrepreneurship is critical.

2.3.1 The Concept of Entrepreneurship

Understanding what rural entrepreneurship is, necessitates a solid understanding of entrepreneurship in general. Defining and agreeing on a single definition for the concept of entrepreneurship continues to be a heated global discussion, and the term remains a very complicated and elusive one with varied meanings for different people (Agbenyegah, 2013; Goetz, Partridge, Deller & Fleming, 2010; Anderson & Starnawska, 2008; Nieman, 2006). According to Agbenyegah (2013), economists like Cantillon (1725), French economist Jean Baptiste Say (1803), twentieth-century economist Joseph Schumpeter (1934) all associated with the concept of entrepreneurship, and researchers and academics have since been trying to come up with a general definition of what constitutes entrepreneurship. Although there is enough literature on entrepreneurship worldwide, Papulova and Papula (2015) argue that the phenomenon lacks a conceptual framework, which has led to many attempts to define the concept in complex ways. Mwatsika (2015) agrees that while the concept of entrepreneurship has existed and has been studied for a very long time, there is no generally accepted definition of entrepreneurship, which shows the complexity of the concept. Although entrepreneurship is a

very complex concept often associated with merely starting and managing a new business, it should be understood to be much broader than just creating a new business. Therefore, according to Papulova and Papula (2015), defining and understanding what entrepreneurship is and what constitutes entrepreneurship remains a significant question in this regard.

Globally, entrepreneurship is defined in various ways and means different things to individuals. For instance, Stefanescu (2012) and Iyigun (2015) see entrepreneurship as one of the major alternatives to economic growth, unemployment and poverty as well as an important element and panacea of the nowadays development agenda. According to Agbenyegah (2013) and Minniti, Bygrave, and Auto (2005), entrepreneurship facilitates economic growth, creates new business ventures, and restructuring of existing entrepreneurial activities, and absorbs large amounts of excess human and financial resources. According to a study by Iyigun (2015), the study of entrepreneurship in a modern sense began with Schumpeter's definition of entrepreneurs as innovators who use the process of breaking through the status quo of existing products and services to create new products and new services.

Iyigun (2015); Imafidon (2014); Olele and Uche (2012) view entrepreneurship as one of the main aspects of economic development due to its potential contribution to economic growth, job creation, prosperity and poverty reduction, which require innovation, risk-taking, competitiveness and resource mobilization. The promotion of entrepreneurship has become one of the most important mechanisms to address the economic challenges in the rural areas of most developing countries. Mwatsika (2015) defines entrepreneurship as the mindset and process of creating and developing economic activities through the combination of risk-taking, creativity and innovation with sound management within a new or existing organization. Akinwale (2014) also described entrepreneurship as a process of starting and running a business, an act of identifying opportunities, mobilizing resources to seize the opportunities identified, and ensuring the provision of goods or services and making profits for those associated with the business production related risks. According to Agbenyegah (2013), entrepreneurship is all about self-employment and not about hiring and creating new businesses through the innovation of assets

and services. Entrepreneurship is a person's endeavour to become self-employed, start a new business, or expand an existing one (Agbenyegah, 2013; Bosma, Wennekers & Amoros, 2012).

Toma *et al.* (2014) postulate entrepreneurship as a process that includes the discovery, evaluation and use of opportunities to introduce new products, services, processes, organizational forms or markets. Mwatsika (2015) uses the definition from Toma *et al.* in that entrepreneurship encompasses the process of discovering, evaluating and using opportunities to create future goods and services, with the entrepreneur at the centre. In other words, entrepreneurship is a process whereby individuals, individually or jointly, identify and take advantage of existing opportunities, allocate resources and create value. Due to its worldwide importance as a way of economic progress, entrepreneurship is often highlighted as an action-oriented phenomenon with an enormous wealth of ideas and innovative strength, which differs from opportunity entrepreneurship (Agbenyegah, 2013; Mokaya, Namusonge & Sikalieh, 2012). From the above perspectives, entrepreneurship is a process that involves key elements of establishing and managing a business, identifying opportunities, taking risks, innovation and resource mobilisation and allocation by an entrepreneur. Entrepreneurship may be used to characterize entrepreneurs, but it can also be used to characterize managers and leaders. As a result, it is critical to understand how to characterize entrepreneurs in order to grasp the concept of entrepreneurship (Burdus, 2010).

The academic study of entrepreneurship, despite its importance in economic thinking and policymaking, is in part hampered by fundamental challenges that include the definition of the entrepreneur (Faggio & Silva, 2014). Banerjee (2011) also argues that one of the best ways to understand entrepreneurship is to find out what entrepreneurs are doing. According to Papulova and Papula (2015), the term entrepreneur comes from the French verb 'entreprendre', which means to undertake, to try, strive to enter into contract or to adventure. Papulova and Papula (2015) further argue that three areas need to be considered in order to understand entrepreneurs, namely, (i) act like an entrepreneur (i.e., what they do); (ii) what happens when entrepreneurs act (i.e., what are the consequences of their actions); (iii) reasons why people choose to become entrepreneurs (i.e. what motivates them to become entrepreneurs). Banerjee (2011) argues that

an entrepreneur should (i) see opportunities in global change, (ii) discover or create an innovation to seize opportunities, (iii) build and grow businesses, (iv) improve quality of life, (vi) explore job creation, (vii) make it globally competitive, and (viii) create economic growth and wealth for reinvestment. In addition, an entrepreneur must know how to create and, more crucially, how to manage a business. Besser and Miller (2013) recognize that entrepreneurship is a broad term that includes people called social entrepreneurs who create or transform organizations to solve social problems.

According to Kaburi *et al.* (2012), entrepreneurship is the act of being an entrepreneur who is defined as someone who uses ingenuity, finance, and business insight to turn ideas into commercial products. There are currently 400 million entrepreneurs operating start-up enterprises in 54 countries throughout the world (Agbenyegah, 2013; Global Entrepreneurship Monitor (GEM), 2011). According to Kanchana *et al.* (2013), an entrepreneur is a person who has the initiative, skill, and motivation to start his own firm or enterprise and is always striving for excellence. Mwatsika (2015) sees an entrepreneur as an individual who establishes and manages a business for profit and growth, and activities as well as a process of establishing and managing a business for profit and growth is entrepreneurship. Papulova (2015) describes entrepreneurship as an individual competence and willingness to recognize and create new economic opportunities (new products, new production methods, new organizational schemes and new product-market combinations), in teams, inside and outside of existing organizations. This is achievable through the use and bringing ideas to the market despite uncertainty and other obstacles through decisions regarding location, form and the use of resources and institutions. According to Agbenyegah (2013) and Holt (2008), entrepreneurship is primarily focused on socially motivated work, which necessitates a combination of individual entrepreneur mind-sets.

According to Faggio and Silva (2014), entrepreneurs are individuals who bring innovations to the market in a process of creative disruption and take the risk of uncertainty about business success, and obviously not all are self-employed entrepreneurs. Gowrishankar *et al.* (2014) also agree that an entrepreneur is an individual willing to create new combinations of production factors such as new production methods, new products, new markets, find new sources and new

organizational forms, or take risks. This is possible when a person takes advantage of market opportunities, through eliminating an imbalance between macroeconomic supply and demand, or company owner and operator. Kaburi *et al.* (2012) is of the opinion that entrepreneurial success simply depends on the ability of an entrepreneur to see these opportunities in the market, to initiate or use changes and to create value through solutions. In other words, an entrepreneur takes advantage or exploits the opportunities brought by such process of change in order to development new products and create value. Agbenyegah (2013) shares the same sentiments and reiterates that entrepreneurship focuses on identifying economic opportunities, taking risk to exploit such opportunities through innovation and creativity.

The preceding analysis and arguments imply or explicitly note that the entrepreneurial process is linked to specific traits and/or characteristics such as innovation, risk-taking, creativity, problem-solving, leadership and the ability to see an opportunity, among others, that an entrepreneur should possess to perform entrepreneurial activities throughout the process. This link between entrepreneurship and personality traits has important consequences for the study to identify factors that influence the occurrence of entrepreneurial behaviour (European Union (EU), 2003). As a result, an entrepreneur's personal attributes and characteristics play a significant role in his or her success in life. In addition, previous studies suggest that entrepreneurial motivations to become entrepreneurs may differ between rural and urban areas, which may partly explain their different rates of success (Besser & Miller, 2013). The next section discusses the different perspectives on entrepreneurship, which further assist to understand the concept of entrepreneurship.

2.3.2 Perspectives on Entrepreneurship

Entrepreneurship viewed as a multidimensional concept that has been studied from various academic perspectives such as economics, sociology, psychology, anthropology, economics, marketing, finance, geography and history (Mwatsika, 2018). The concept of entrepreneurship is multifaceted and multidisciplinary. Most people understand and define entrepreneurship as starting and running a business by an individual or a group of individuals, known to be

entrepreneur(s). There are various distinctive perspectives shaping the understanding of entrepreneurship and its practice. Thus, understanding of entrepreneurship stems from the different perspectives such as economic, psychological, behavioural and sociological facets underlying its origins and evolution.

2.3.2.1 Economic Perspective

Economic viewpoints have made a significant contribution to the subject of entrepreneurship and our knowledge of it. The economic viewpoint helps to evaluate and investigate economic factors that influence or facilitate entrepreneurial behaviour (Walia & Chetty, 2020). Entrepreneurship, it is argued, plays a significant role in economic processes and is advantageous to a country's economic development and prosperity. Entrepreneurship from an economic perspective emphasizes the crucial role that entrepreneurs play in economic development and progress, as well as wealth generation (McFarlane, 2016). In terms of economics, an entrepreneur serves as a connecting link between producers and customers (Arora, 2015). Grebel (2004) takes the view further that, while the importance of entrepreneurs in the economy has always been generally recognized, it has never been developed into a consistent and comprehensive theory of entrepreneurship. The economic perspective seeks to explain the importance of an entrepreneur and their role as well as the role of entrepreneurship in an economic system. In other words, an entrepreneur is central to facilitating economic growth and change through entrepreneurial activities.

Mwatsika (2018) regards entrepreneurship as a factor responsible for economic growth, with the entrepreneur acting as a key factor of change and bringing together factors of production such as capital, land, labour and knowledge to create socio-economic value, which is responsible for the dynamism of a country. From an economic standpoint, entrepreneurs are clearly viewed as drivers of economic development and growth. Malerba and McKelvey (2018) mention that entrepreneurs are involved in the development, dissemination and use of information; they offer new products and technologies; they draw resources and ideas from their innovation system; and they bring change and vitality to the economy, from an economic point of view. An entrepreneur,

according to the economic perspective, is a person who is innovative and imaginative in his actions, as well as someone who recognizes and seizes profitable entrepreneurial chances (Walia & Chetty, 2020). The perspective stresses on the important role entrepreneurs play in economic development and how their activities disrupt the economy and ultimately facilitate growth. Through innovation, an entrepreneur can significantly influence or bring new opportunities to the market, which consequently may lead to economic growth. Most scholars in this school of thought view an entrepreneur as an innovator and creator of an opportunity through such innovation.

2.3.2.2 Psychological Perspective

Two psychologists, namely David McClelland and Julian Rotter, advocated the psychological perspective on entrepreneurship and place a premium on the emotional and mental components of the people who drive their businesses (Bhattacharjee & Chetty, 2019; Baum, Frese, & Baron, 2014). This viewpoint emphasizes on psychological characteristics associated with entrepreneurs, such as a personal urge for achievement, a risk-taking mentality, and self-assurance (Muhanna, 2007). The psychological viewpoint places a greater emphasis on the personal or individual attributes that can define entrepreneurship. The urge for achievement, according to McClelland, governs an entrepreneur's behaviours, whereas the locus of control, whether internal or external, influences entrepreneurial actions (Bhattacharjee & Chetty, 2019). Risk-taking, innovativeness, and ambiguity tolerance are all attributes connected with entrepreneurial propensity (Simpheh, 2011). Dedekuma and Akpor-Robaro (2015) suggest that this perspective recognizes the role of psychological factors in inspiring individuals to become entrepreneurial. According to Fatma and Ezzeddine (2019) and Hayward, Shepherd and Griffin (2006), the psychological perspective recognises the potential effects that psychological, cognitive and emotional factors can have on the entrepreneurship development process. This perspective believes that each individual entrepreneur is distinguished from others by their distinct set of values, ethics, attitudes and needs as well as attributes.

Kaburi *et al.* (2012); Shane (2003) postulate that psychological factors such as motivational factors (need for performance, willingness to take risks and desire for independence); core self-assessment (place of control and self-efficacy) and cognitions (beliefs and attitudes) influence the likelihood that entrepreneurs will take advantage of new ventures. According to Kaburi *et al.*, (2012), these factors represent preconditions related to entrepreneurship, and a high presence of these characteristics depicts an entrepreneurial spirit or an entrepreneurial environment. The perspective further assumes that success of entrepreneurs with internal locus is associated with their capabilities and actions, while institutional and external forces drive success of entrepreneurs with external locus (Bhattacharjee & Chetty, 2019). According to Bhattacharjee and Chetty (2019), understanding entrepreneurship from the psychological perspective helps to determine whether the environment has a strong supply of individuals possessing entrepreneurial characteristics. This perspective believes that an entrepreneur is an individual who possesses attributes and qualities of risk-taking, motivation, innovation, self-confidence, leadership and creativity requisite for undertaking entrepreneurial activity. The psychological perspective also argues that individuals with the desire for success and undertake risks are more likely to become entrepreneurs and thrive on their ventures. The perspective also assumes that the personality traits of an entrepreneur can drive their entrepreneurial actions. This suggests that the personality of an entrepreneur plays a crucial role in the entrepreneurship process. The psychological perspective is all about what makes entrepreneurs do what they do and why.

2.3.2.3 Sociological Perspective

From the sociological perspective, Max Weber, sees entrepreneurship as a sociological phenomenon (Dedekuma & Akpor-Robaro, 2015). The sociological perspective focuses on the role of sociological variables such as values, ethics and social networks in promoting or discouraging entrepreneurial activities (Muhanna, 2007). This perspective recognises the social contexts associated with entrepreneurial activity. The sociological perspective explores entrepreneurial activities from the stance of social contexts and corresponding processes and effects (Chetty, 2020). According to Dedekuma and Akpor-Robaro (2015), Weber noted that the development and growth of the entrepreneurial phenomenon is determined by the value system

and culture that influence human behaviour, and he further strongly argued that societal values are the key elements, which explain the growth of entrepreneurial activities as well as the behaviour of entrepreneurs. The existence of a culture, social class or group compatible with entrepreneurship can produce behaviours that encourage and enhance entrepreneurial activity, according to proponents of this school of thought (Edewor, Abimbola & Ajayi, 2014).

This point of view implies that an individual's or a group's entrepreneurial qualities are deeply rooted in the society to which they belong (Chetty, 2020). Dedekuma and Akpor-Robaro (2015) observed that, in the sense that a good value system provides a cogent moral argument for entrepreneurial behaviour; moral beliefs act autonomously on the minds of individuals, forming character that views entrepreneurship as a duty; and value, embodied in an institution, define groups with social cohesion and bring economic benefit, societal values and value systems which can aid in the development of entrepreneurship. According to Edewor *et al.*, (2014), social systems that emphasize innovation, risk-taking and independence are more likely to create entrepreneurial events than systems with opposite values. The perspective suggests that entrepreneurship development is strongly influenced by social values and beliefs an entrepreneur subscribes to. The next section provides a conceptual framework as far as theorising and understanding rural entrepreneurship is concerned and focuses on what rural entrepreneurship entails and clarification of the definitional issues of the concept.

2.3.3 Forms of Entrepreneurship: Necessity-based vs Opportunity-based Entrepreneurship

The discipline of entrepreneurship is constantly evolving and is defined by various scholars within the context in which the entrepreneurial activity or event occurs. This section distinguishes between the various forms of entrepreneurship. Entrepreneurship can take various forms and it is important to recognise different types of entrepreneurship when analysing issues such as the characteristics of entrepreneurs, their motives for choosing entrepreneurship and the contributions of their entrepreneurial activities to economic development. According to Audretsch, Belitski, Chowdhury and Desai (2022), it is important to take into account a variety of entrepreneurial activities since the quality of entrepreneurship influences technical

advancement, structural change and economic growth and development. This section focuses on opportunity-based and necessity-based entrepreneurship.

2.3.3.1 Opportunity-based Entrepreneurship

The idea of opportunity in entrepreneurship is the subject of an expanding corpus of literature in entrepreneurship. Instead of using the current theories of entrepreneurship to understand entrepreneurial processes, entrepreneurial activities are understood in terms of specific opportunities that potential entrepreneurs experience and the actions taken by such entrepreneurs to take advantage of these possibilities (Olcay & Kunday, 2017). The entrepreneur in opportunity-based entrepreneurship identifies and evaluates opportunities in the environment before investing resources to the venture based on their merits (Udimal, Luo, Liu & Mensah, 2020). When an entrepreneur sees a business opportunity, he or she establishes a company. Any entrepreneur who pursues entrepreneurship in order to capitalize on a business opportunity or to seek better opportunities engages in opportunity-based entrepreneurship. Fairlie and Fossen (2018) refer to opportunity entrepreneurship as the creation of a business when an entrepreneurial opportunity exists. The recognition that an entrepreneur makes a voluntary career choice to pursue an entrepreneurial activity is a key distinguishing feature of opportunity-based entrepreneurs.

According to Audretsch *et al.* (2022), opportunity-driven entrepreneurship happens when entrepreneurs have other job opportunities but still choose to pursue entrepreneurship. Fairlie and Fossen (2018) argue that individuals who are working for a living, are enrolled in school or college, or are not actively looking for work are classified as ‘opportunity’ entrepreneurs. In other words, an opportunity-based entrepreneur chooses entrepreneurship to take advantage of the available business opportunity or seeking greater opportunities. Opportunity-driven entrepreneurship is when an individual becomes self-employed or an entrepreneur as a result of available opportunities that may arise as a result of both economic and non-economic factors. Due to adverse economic conditions, necessity entrepreneurs are forced out of the labour force and into entrepreneurship (Audretsch *et al.*, 2022; Shiller, 2017). Different factors within the

person, as well as environmental and economic factors, influence the decision to become unemployed, employed, or self-employed. Creating and discovering opportunities to start new businesses rather than being pressured into working for oneself out of necessity plays a crucial part in an individual's ability to be an entrepreneur (Olcay & Kunday, 2017). Fairlie and Fossen (2018) consider business creation to be an 'opportunity' if it occurs in one of the three preceding labour market states.

According to Udimal *et al.* (2020); Acs and Varga (2005), opportunity-based entrepreneurship has a significant positive impact on economic growth and development. The entrepreneurial effect is used to explain opportunity entrepreneurship, which occurs when a thriving economy provides numerous opportunities for entrepreneurs, enticing both the unemployed and the employed to become entrepreneurs (Veel, 2010). Entrepreneurship is whereby an individual discovers, evaluates and exploits opportunities in order to introduce new goods and services, ways of organizing, markets, processes and raw materials through previously unorganized efforts. According to Olcay and Kunday (2017) and Short, Ketchen, Shook and Ireland (2010), opportunities in entrepreneurship are crucial since there is no entrepreneurship without an opportunity. Despite its paucity, empirical evidence shows that opportunity-driven entrepreneurs tend to have greater levels of entrepreneurial satisfaction than those motivated by necessity (Olcay & Kunday, 2017; Olcay & Kunday, 2016). Entrepreneurs that are opportunity-oriented start their businesses because they see an opportunity that no one else does and commercialise it out of inspiration rather than necessity.

2.3.3.2. Necessity-based Entrepreneurship

While the idea of opportunity is fundamental to entrepreneurship studies, the other side of the medallion represents the motivations for people to engage in entrepreneurial activities out of necessity (Fairlie & Fossen, 2019; Block, Kohn, Miller & Ullrich, 2014). Even though opportunities and entrepreneurship are inextricably linked, necessity entrepreneurs make up a sizable portion of the entrepreneurial population, particularly in nations with high rates of entrepreneurship and low GDP per capita (Olcay & Kunday, 2017; Poschke, 2010). The term

‘necessity entrepreneurship’ refers to a situation in which an individual decides to become an entrepreneur because of lack of available opportunities (Udimal *et al.*, 2020). ‘Necessity entrepreneurship’ was originally used in GEM studies in 2001, referring it to compelled entrepreneurship, which is employed by those who have no other options for employment (Olcay & Kunday, 2017). According to data from the GEM, the proportion of entrepreneurs who start businesses out of necessity is 18.6% in Germany, 25.9% in Spain and 21.24% in the US (Block *et al.*, 2014; Kelley, Singer, & Herrington, 2012). According to earlier studies, many entrepreneurs launch their business since they have few meaningful opportunities to find compensated work (Block *et al.*, 2014). In other words, a person who starts a business because there are no other options or opportunities is classified as a necessity-based entrepreneur.

According to Block *et al.* (2014); Block and Wagner (2010), entrepreneurs that operate out of necessity differ from other entrepreneurs in terms of their socioeconomic traits. With necessity-based entrepreneurship, entrepreneurs are compelled to establish a business out of necessity due to lack of other employment options in the labour market. Individuals who are unemployed prior to starting a business venture are referred to as ‘necessity’ entrepreneurs (Fairlie & Fossen, 2018). This ‘necessity’ criterion is crucial since it may be related to the entrepreneur's drive, human capital, and resource endowments, which can have a significant impact on the character of a business (Block *et al.*, 2014). Individuals who are unemployed prior to starting businesses are regarded as necessity entrepreneurs, because an unemployed person is, by definition, looking for work. Entrepreneurs who start businesses out of necessity are less likely to do so because they have no other alternative employment opportunities. Entrepreneurs who start businesses out of necessity frequently have less time than other business owners to meticulously organize their new ventures (Block *et al.*, 2014). Necessity entrepreneurship is the concept in which an inconvenient initial situation leads to the decision to become self-employed, which could be the case if your current position as an employee has bleak future prospects or inadequate financial rewards (Veel, 2010).

Generally, necessity entrepreneurship is seen as the creation of a business in the face of limited alternatives and opportunities (Fairlie & Fossen, 2018). The defining feature of necessity

entrepreneurship should be the understanding of adverse employment conditions as stimulators for the person to become self-employed. Thus, entrepreneurship motivated by necessity may be considered as being largely influenced by unfavourable external employment conditions of an individual (Haas, 2013). However, there can be no necessity entrepreneurship without someone who feels the need to engage in some type of entrepreneurial activity. The unemployment push effect can also be used to explain necessity entrepreneurship (Veel, 2010). Where there is a need to become an entrepreneur, but future objectives or current financial rewards are insufficient, economic factors clearly drive necessity entrepreneurship. With necessity-based entrepreneurship, an entrepreneur chooses to undertake entrepreneurial activities or start a new business venture because there are no other available options or options are limited. Due to the low opportunity cost of starting a business, necessity-based entrepreneurship is a situation where there are no better employment opportunities available for an individual seeking to establish a business enterprise.

2.3.4 Rural Entrepreneurship: Characteristics and Definitional Issues

In the subject of entrepreneurship research, rural entrepreneurship is considered to be a relatively recent field (Ghosh, 2011). The definition of entrepreneurship in general is not diluted by the concept of rural entrepreneurship. Authors such as Pato (2015), Mugobo and Ukpere (2012) and Wortman (1990) define rural entrepreneurship as the process of establishing a new business that provides a new product, services or creates a new market, or employs new technology in a rural setting. A new organization refers to a new business endeavour or enterprise in this sense. Rural entrepreneurship refers to new initiatives that are developed in rural areas because of an intervention, such as a tax incentive, to attract enterprises to an area, or as a result of in-migration of city residents who subsequently start businesses (Lee & Phan, 2008). Rural entrepreneurship should encompass not only the start-up of firms in rural areas, but also the use of rural produce as a raw material and the employment of rural residents in the production process. To put it another way, final products are created in rural regions using resources mostly obtained by rural people (Nandanwar, 2011). Thus, rural entrepreneurship, which symbolises rural industrialisation, is defined as entrepreneurship that emerges in rural areas across the country,

such as launching businesses or industries (Shreepad & Ahmed, 2016; Sharma, Chaudhary, Bala & Chauhan, 2013; Saxena, 2012). This also demonstrates how rural entrepreneurship is portrayed as a sequential process that is heavily impacted by unique territorial or spatial qualities (Shathopolou, 2004).

Entrepreneurial activities contribute immensely to the economy and prosperity of particular rural settings. One of the most essential strategies to encourage rural development is through entrepreneurship (Pato, 2015). Thus, the growth and development of a particular rural area is greatly associated with the presence of entrepreneurs. Globally, there are over three billion people living in rural areas with adverse socio-economic situations (Ngorora & Mago, 2016). These rural areas have distinct features that allow and help entrepreneurs to undertake and prosper in their entrepreneurial activities and ventures. Entrepreneurship research and literature has in recently recognised and helped society to understand how entrepreneurs are influenced by their settings and how their entrepreneurial actions may shape salient features of such settings (Munoz, 2019; Mair & Marti 2009; Anderson, 2000). Entrepreneurship in rural areas involves choosing to run a business that is located in a rural setting with low embeddedness (Eriksson, Fellenius & Norman, 2016). According to Eriksson *et al.* (2016), embeddedness refers to how different context levels such as community, environment and social relationships influence entrepreneurial action in different situations and thus the bond of the individual to different contexts.

According Shathopolou (2004), rurality defines a territorially specific entrepreneurial milieu with distinctive physical, social and economic characteristics such as location, natural resources, landscape, social capital, rural governance, business and social networks as well as information and communication technologies that have dynamic and complex influences on entrepreneurial activity in rural areas. Population density, rate of population declines or growth, size of settlement, regional economic structure and geography are all used to describe rurality (Pato & Teixeira, 2013: 9). Rurality also indicates the level to which rural resources, such as the environment and labour, are included into their entrepreneurial process (Akgun *et al.*, 2010). Rurality is seen as a dynamic entrepreneurial resource in this scenario, influencing both

opportunities and restrictions. Most studies on rural entrepreneurship, or entrepreneurship in general, have focused on the effect of the social, economic, and institutional environments, and have limited their understanding of entrepreneurship to profit-driven and short-sighted opportunistic behaviour (Korsgaard & Muller, 2015). In this case, context may be locational, for example context as space or place, local or national, or location in a socio-spatial or socio-economic milieu such as the rural or urban. Each context brings specific values that inform both entrepreneurial the process and outcomes. This suggests that in order to understand the concept of rural entrepreneurship and entrepreneurship in general, understanding the interplay between entrepreneurial activities and the contexts in which they take place is significant.

As a result, rural entrepreneurship is distinct from other types of entrepreneurship due to its unique spatial characteristics. Korsgaard and Muller (2015); Pato (2015), for example, distinguishes between two ideal sorts of entrepreneurship, ‘entrepreneurship in rural areas’ and ‘rural entrepreneurship’, which are similar in terms of the development of enterprises but have separate characteristics. ‘Entrepreneurship in rural areas’ entails treating the immediate spatial context as merely a location for one’s activities, thus employing a logic of space characterized by profit and mobility, whereas ‘rural entrepreneurship’ entails a more in-depth engagement with one’s place, particularly its rurality and environment. According to Korsgaard and Muller (2015), the difference between the two ideal forms of entrepreneurship in rural areas is an instrument for dealing conceptually and empirically with the diversity of entrepreneurial activities in the spatial context of rural areas. These distinctions imply that the needs and organizational activities of rural entrepreneurship are distinct from those of other types of entrepreneurship because they are embedded in local space through the use of local resources. Moreover, entrepreneurship in rural areas is not the same as entrepreneurship in urban areas (Pato, 2015; Stathopoulou, Psaltopoulos & Skuras, 2004). Rural enterprises should be based in a rural location, serving a rural customer base, and selling a rural product when it comes to rural entrepreneurship (Eriksson *et al.*, 2016).

Rural entrepreneurship involves a close relationship between the entrepreneurial activity and the location where it takes place, and it draws on the unique resources of a location, such as natural,

cultural, historical, human, social, or financial resources, that a venture requires for its growth and survival (Korsgaard & Muller, 2015). This means that rural entrepreneurship is primarily reliant on the rural environment's local resources as a primary source of income or on the usage of local labour (Pato, 2015; McElwee & Smith, 2014). Thus, rural entrepreneurship is defined as entrepreneurial activity that deals with its spatial context and is embedded in its spatial context through the use of resources (Korsgaard & Muller, 2015). Thus, rural entrepreneurship is deeply rooted in its geographic (spatial) location. Embedding refers to a conceptual and operational method to perceive the type, depth and extent of the entrepreneurial link with a (rural) location (Pato & Teixeira, 2013). The location and externality of entrepreneurs' market and social relations, as well as the engagement of locals in rural areas in the entrepreneurial process, are used to measure embeddedness in rural entrepreneurship research. To put it another way, locality assesses whether businesses have local relationships in terms of producing for and with locals, whereas external relations focus on producing for or with people outside of rural regions (Akgun *et al.*, 2010). This is significant since most research has overlooked the significance and influence of the relationship between the physical environment and entrepreneurial activity. As a result, understanding rural entrepreneurship requires an understanding of geography and location. According to Korsgaard *et al.* (2015), it is important to connect the notions of space and place with rural entrepreneurship in order to establish a more differentiated and contextualized understanding of entrepreneurship in rural areas. The spatial context (geographic location) is critical in rural entrepreneurship because it provides resources that generate value for both the entrepreneurs and the local community (Eriksson, Fellenius & Norman, 2016; Korsgaard *et al.*, 2015). This is significant since most previous research has overlooked the significance and influence of the interaction between the physical environment and entrepreneurial activities.

2.3.5 Factors Influencing Entrepreneurial Success

Entrepreneurship has been in existence throughout the years and its significance has been increasing since then. Entrepreneurial success is conceptualised as growth of a firm or enterprise such as growth in sales, profit or employees (Angel, Jenkins & Stephens, 2018; Achtenhagen, Naldi & Melin, 2010). However, other scholars developed their own idiosyncratic measures of

entrepreneurial success (Angel *et al.*, 2018; Arena, Azzone & Bengo, 2015; Lumpkin, Moss & Gras, 2013; Ruebottom, 2011; Smith & Stevens, 2010). Razmuz and Laguna (2018) state that entrepreneurial success is perceived in different dimensions, not only in economic indicators, which can limit understanding of entrepreneurial success. Moreover, higher financial outcomes and good market position as well as other economic indicators of entrepreneurial success and firm performance or productivity are seen as success indicators of a business (Razmuz & Laguna, 2018). Entrepreneurial success is viewed as a complicated notion involving numerous financial and non-financial elements (Staniewski & Awruk, 2019; Dej, 2010). Staniewski and Awruk (2019); Razmus and Laguna (2018) point out that the importance of non-financial indicators for entrepreneurial success must not be ignored. However, a variety of factors, both internal and external to the business environment, influence entrepreneurial success.

Various elements that impact on entrepreneurial success have been discovered by a number of academics. Personal characteristics such as the need for achievement, locus of control, and desire for personal control of business, human capital, and external factors such as infrastructure, training, communication network, and financial support have been identified by Bhagat (2014) as the most likely factors to influence entrepreneurial success. Lampadarios (2017) also categorized critical factors for business success into entrepreneurial (in relation to the person), entrepreneurial (in relation to the company) and business environment (external). Al-Tit, Omri and Euch (2019) also classified factors associated with enterprise success into individual factors such as entrepreneur characteristics and non-individual factors such as internal and external factors. Internal factors include business demographics (such as size, age structure, networks, product and competitiveness of an enterprise), human capital (including skills, abilities, attitude, commitment, knowledge and experience of an entrepreneur), demographic profile and characteristics of entrepreneur (creativity, age, education, experience, locus of control, need for achievement, confidence, and risk-taking propensity). Ridzwan, Ramzi and Zubir (2021) found out that entrepreneurs' psychological and personality traits, management skills and the training of entrepreneurs and the external environment are critical factors influencing the success of micro and small businesses. According to Ridzwan *et al.* (2021) and Sánchez (2012), the competencies of an entrepreneur play an influential and direct effect on enterprise performance.

Accordingly, a successful entrepreneur must possess distinct attributes and should feel the need for achievement (Makhbul & Hasun, 2011).

Ridzwan *et al.*, (2021); Khan, Salamzadeh, Shah and Hussain (2021); Zin and Ibrahim (2020); Hassan, Ramli and Desa (2014) claimed that external environmental factors can influence the success of rural entrepreneurs in developing countries. External factors include economic factors (inflation, interest rates, tax, unemployment, and business environment), political-institutional factors (such as policies, bureaucracy, regulation and laws, political instability) and socio-cultural factors such crime, culture, access to capital, technology and resources) (Lampadarios, 2017). Other economic factors may include infrastructural facilities, economic climate, state regulation, and training and guidance (Sabbarwal, 2010). Razak, Said, Ahmad and Jumain (2017) acknowledged numerous factors that influence entrepreneurial success including individuals, motivational factors, environmental settings and social support. Sabbarwal (2010) also mentioned a number of factors that can influence entrepreneurship such as individual psychological, cultural and politico-economic factors. These set of factors can negatively affect the entrepreneurial success of a particular country. Thus, the performance of a firm or enterprise is influenced mainly by factors in both internal and external environments.

2.4 LOCAL ECONOMIC DEVELOPMENT AT LOCAL GOVERNMENT

Planning for local economic development (LED) has been one of the most popular policy issues in developing countries during the last few decades. LED as a development strategy has gained considerable popularity and recognition as a grassroots approach, particularly in developing countries in the recent years (Kahika & Karyeija, 2017). According to Rogerson and Nel (2016), LED is a more localized, location-based approach to local development and over the past few decades has emerged as a development strategy or method widely considered by many countries, development policy makers and organizations or agencies around the world. Koma (2014) emphasizes that LED is a crucial tool to stimulate the local economy and to combat the high levels of poverty, unemployment and inequality that most communities face. LED has become a common practice in Mexico, with more than half of the country's municipalities including it into

their construction plans (Rogerson, 2013). After Uganda's decentralisation system was introduced in the mid-1980s, the LED strategy was implemented with the goal of greater decentralisation, poverty eradication, and broad, viable, and equitable economic growth and development at the local government level (Kahika & Karyeiya, 2017). According to Houghton, Dlamini, and Mthembu (2013), LED is widely supported and seen as a critical obligation of local governments. Local governments, particularly local municipalities, have developmental responsibilities to provide basic services to local communities within their domains in order to alleviate poverty, boost economic growth, and create jobs, thereby enhancing everyone's quality of life.

2.4.1 Defining Local Economic Development

To date, disputes among writers and groups advocating for LED policy and practice have centred on policy and practice issues. Despite the fact that several authors and organizations, including Varol (2010), the International Labour Organization (ILO) (2007), the World Bank (2003), Blakely (1994), and others, have defined LED in different ways, many people still struggle to agree on a clear definition. As a result, there is no universal agreement on the meaning of the term 'LED'. Anywhere in the globe, there is no universally accepted definition of LED. Similarly, according to Nel (2003), there is no universally accepted definition of LED. According to Bond (2002) in Akudugu (2018), LED is a discipline that is still developing, in which contradicting lines of argument keep generating conflicts. Houghton *et al.* (2013) support the development of LED into a wide range of connotations in all areas, which presents a definition challenge in understanding the term. The difficulties in giving meaning to the concept of LED dates back to some decades ago (Mensah, Domfeh, Ahenkan & Bawole, 2013).

According to Akudugu (2018), there are various meanings linked with the notion of LED, however there are still conceptual challenges with what the concept really implies. As a result, both in the developed and developing worlds, LED has gained importance and been conceptualized by development organizations, national and local governments as one of the alternative development approaches or strategies (Akudugu, 2018). International development

organizations and agencies include the World Bank, the International Labour Organization (ILO), the United Nations Development Programme (UNDP), and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). The World Bank (2003) defines LED as a process by which public, private and non-profit actors work to improve economic growth and the conditions for job creation. Blakely (1994) also described LED as a process by which local governments join forces and resources with local businesses to enter into new partnership agreements to create new jobs and stimulate economic activity in a clearly defined economic zone.

The International Labour Organization (ILO) (2006) defined LED as a participatory development process that encourages partnerships between public and private actors of a given territory to stimulate economic activity and create jobs by harnessing local resources and competitive advantage. Similarly, Fray (2010) defines LED as an approach in which the local population and other stakeholders continuously work together to achieve sustainable local economic growth and development that brings an improved quality of life to all citizens. Rogerson and Nel (2016) see LED more as a localised ‘place-based’ approach to local development. Kamara (2017) emphasizes that the complexity of the 21st century has paved the way for the emergence and diffusion of cross-border cooperation in the lexicon of localized and territorial development. According to Koma (2014), LED serves as a key strategy for boosting the local economy in order to combat the high levels of poverty, unemployment and inequalities that most local communities face. Therefore, LED has progressed as a development strategy during the past few decades, and is now considered by many governments, development policymakers, and organizations or agencies globally.

Musavengane (2018) sees LED as a better way to address local challenges in the face of a fast-paced globalized economy, as it appears to achieve sustainable development goals, including poverty alleviation. These thoughts perceive LED as a development approach, which strives to alleviate poverty and create jobs through the creation of more businesses and factories as well as improved local economy. In other words, LED exemplifies the state of local development of particular localities with vibrant local economies. Oduro-Ofori (2016) claims that LED is an attempt to build economic capacity in the region in order to improve the economic future and

quality of life for all. To this end, LED's main purpose is to create local job possibilities by utilizing the existing human, ecological, and institutional resources in the area (Oduro-Ofori, 2016; Varol, 2010). Similarly, LED aims to improve governance and municipal performance while also boosting local economies, promoting job development and revenue generating. These attempts to conceptualize LED demonstrate that defining the notion is difficult, since LED is interpreted differently in different countries.

These LED conceptualizations emphasize the relevance of local communities and the importance of healthy inter-relationships among all major stakeholders in generating and maintaining economic development (Houghton *et al.*, 2013). Furthermore, the concept of 'local' became more significant in LED projects beginning with the development of strategies with a territorial and spatial impact. The use of LED is expected to boost a territory's competitiveness and economic performance. As a result, LED refers to territorially focused, locally owned development efforts with a primary focus on job creation and economic expansion. Finally, LED helps to stimulate local economies, reduce the enormous levels of poverty, unemployment, and injustice that beset the impoverished majority of people in developing countries. For this reason, LED projects, for example, differ from typical development methods in that they see development as a local issue rather than a sectoral concern. LED approaches were separated into two categories as a result of these debates, which are traditional and contemporary. Traditional practices relate to a set of procedures in which local governments interfere directly to promote and support existing businesses in their communities by measures such as subsidies, infrastructure, and tax breaks, which are still commonly used by governments in developing countries (Akudungu, 2018). On the other hand, modern LED practice is viewed as a process-oriented activity aimed at promoting a specific locality's economy through the coordinated actions of numerous people. Current definitions from international institutions and agencies like the GTZ, UNDP, and ILO include this concept. Summarily, contemporary LED emphasizes collaboration, use of local resources, and the process of localization (Akudungu, 2018).

2.4.2 The Historical Contexts of Local Economic Development

Over the last few decades, local economic development (LED) has become a popular development method all over the world (Kahika & Karyeija, 2017). LED has proven to be effective in countries such as the United States of America, the United Kingdom, Australia, and Ireland. Following the dissolution of the Soviet Union, a number of east European countries adopted LED as a model for addressing stagnant economic growth, unemployment, and poverty. Over the last 15 years, LED has gained popularity in most African countries as a development strategy (Moyo, n.d). Most European countries have pursued LED by forming cooperatives, which have emerged through time from five distinct traditions: consumer cooperatives, labour cooperatives, credit cooperatives, agricultural cooperatives, and service cooperatives. From the 1960s through the early 1980s, several developed European countries had economic downturns, with many of these countries experiencing de-industrialization and capital flight. LED was adopted as a development strategy during this period, in combination with the consequences of globalisation, to aid in the revival of many local regions and to encourage development (Kahika & Karyeija, 2017). LED made a global move toward LED-driven strategies when it chose economic growth-driven methods to boost development in the 1990s. People's proactive steps to develop economic possibilities and enhance social conditions in their local communities were classified as LED initiatives. As such, LED initiatives have been defined as proactive actions by people to create economic opportunity and improve the social conditions in their own communities. The small-scale and community-based initiatives aim at using local skills and community participation to ensure sustainability.

Globalisation led to enormous expansion in worldwide trade and exchanges in an increasingly open, integrated, and borderless international economy (European Union (EU), 2017; International Monetary Fund (IMF), 2008; Marginson & Wende, 2006). The fact that even remote locations are exposed to competition and forcing companies, places and regions to react and adapt to the changing economic conditions is an essential result of globalization (Pike, Rodriguez-Pose & Tomaney, 2006). Local governments are under pressure to discover innovative ways to maintain local competitiveness while also fostering inclusive growth in the

face of global economic upheaval (ILO, 2008). Policies and practices formulated at the supranational level such as market liberalization, increasing global production systems and changing trade conditions are having a greater impact on the local economy than ever before (ILO, 2006). Overall, as globalization advances, LED methods will play a greater role in international growth. For example, LEDs offer a way of counteracting globalization effects or using them by optimizing local potential (ILO, 2006).

Since the 1960s, the notion of LED has gone through three significant stages of growth, with LED practitioners gaining a greater knowledge of successful and unsuccessful LED programmes. The World Bank (2004) and Molefane (n.d) summarize the post-1960 understanding of LED through three phases of evolution. The first wave of LEDs occurred from the 1960s to the early 1980s, the second wave from the 1980s to the mid-1990s, and the third wave from the mid-1990s onwards (Oduro-Ofori, 2011; Davids & Rylance, 2005; World Bank, 2001). In other words, the third wave of LED innovation is currently underway. Despite the fact that LED has progressed through each of these waves, components of each stage are still used today (Davids & Rylance, 2005). In Table 1 below, the three LED waves are summarized. LED has been implemented in many countries, but with varying approaches and objectives, necessitating reflection on the history, stages, or rather waves of LED that have been influenced by various socio-economic forces over time, such as globalisation (Molefane, n.d). The above theoretical reasoning demonstrates that LED projects and implementation have gone through several stages in some locations, and that there is no single strategy for implementing plans from the same school of thought. From a global perspective, it is clear that planning, funding, and implementing LED policies and initiatives to reduce poverty, unemployment, and create large jobs while simultaneously providing necessary training and skills development to recipients confront various challenges. LED is used by communities around the world in need of modernization to develop adaptive initiatives as vehicles for economic growth. The phases of LED are summarised in Table 2.1 below.

Table 2.1: Three Waves of Local Economic Development

Wave	Focus	Tools
First: 1960s to early 1980s	During the first wave the focus was on the attraction of: <ul style="list-style-type: none"> • mobile manufacturing investment, attracting outside investment, especially the attraction of foreign direct investment. • hard infrastructure investments 	To achieve this, cities used: <ul style="list-style-type: none"> • massive grants • subsidized loans usually aimed at inward investing manufacturers. • tax breaks • subsidized hard infrastructure investment. • expensive "low road" industrial recruitment techniques
Second: 1980s to mid-1990s	During the second wave the focus moved towards: <ul style="list-style-type: none"> • the retention and growing of existing. • local businesses • still with an emphasis on inward investment attraction, but usually this was becoming more targeted to specific sectors or from certain geographic areas 	To achieve this, cities provided: <ul style="list-style-type: none"> • direct payments to individual businesses • business incubators/workspace • advice and training for small- and medium-sized firms • technical support • business start-up support • some hard and soft infrastructure investment
Third: Late 1990s onwards	The focus then shifted from individual direct firm financial transfers to making the entire business environment more conducive to business. During this third (and current) wave of LED, more focus is placed on: <ul style="list-style-type: none"> • soft infrastructure investments • public/private partnerships • networking and the leveraging of private sector investments for the public good • highly targeted inward investment • attraction to add to the competitive advantages of local areas 	To achieve this, cities are: <ul style="list-style-type: none"> • developing a holistic strategy aimed at growing local firms. • providing a competitive local investment climate • supporting and encouraging networking and collaboration • encouraging the development of business clusters • encouraging workforce development and education • closely targeting inward investment to support cluster growth • supporting quality of life improvements

Source: World Bank (2004). <http://www.worldbank.org/urban/led/>

2.4.3 Understanding Local Government as a Sphere of Government

It is arguable that finding a single and comprehensive idea of local governance that is acceptable to both emerging and established countries of the world is challenging (Majekodunmi, 2012). Tonwe (2011) stated that local government is a long-standing institution with changing

definitions. Various authors have attempted to conceptualize and understand local government and have come up with a wide range of definitions. As a result, it is important to figure out just what municipal government entails. Local government is generally thought of as a political system for local rule and administration (Tonwe, 2011). Ndou and Sebola (2017) argue that the understanding of local government exists in both theory and practice, as local government can practically refer to the activities of local government practitioners exercising their powers and responsibilities to provide services to local communities to provide. While in theory, it may refer to the studies of local government, which are the labours of students and professors. Sebola (2015) sees local government as a system of local management and administration. Nel and Binns (2001) argue that local government is an integral component of a democratic state.

Majekodunmi (2012); Nyalunga (2006) define local governments as lawfully constituted political units or instrumentalities which have executive authority or control over local affairs and the power to provide public services and regulate public affairs within a defined area of jurisdiction. Tonwe (2011) echoes the same view and uses the United Nations Public Administration's (UN) definition that local government is a political sub-unit of a nation or federal state formed by law and has substantial control over its local affairs, including powers to collect taxes or enforce work for prescribed purposes. The governing body of such an institution is elected or otherwise selected locally. Majekodunmi (2012) sees local government as a form of political and administrative structure that enables decentralization, national integration, efficiency in governance and a feeling of belonging to the grassroots. In this regard, local government is seen as a government at the grass-roots level of governance and administration responsible for providing and meeting the basic needs of the people within a particular area. Additionally, local government has unique characteristics such as defined areas of jurisdiction, populations, institutions, and executive authority or power to undertake public affairs in a particular area.

Nyalunga (2006) highlighted that local government has three distinct characteristics, namely a number of local institutions with a different autonomy and legal status than that of central government, autonomous local institutions that generate their own income and expenditures to

meet their legally assigned functions. Local governments are also empowered, and local institutions that have decision-making power and independence as autonomous organs and not as an extension of central government. According to De Visser (2009), the interdependence of local government from other levels of government entails a supervisory relationship in which the state and the province (state in a federal system) are charged with overseeing the performance of local government. Local government, in theory, should be an independent level of government, not a subsidiary of the federal or provincial governments. Tonwe (2011) further stated that, local government possess characteristics such as those of a defined territory and populations, an institutional structure for legislative executive and administrative purposes, a separate legal identity, a set of powers, and functions duly delegated by the central or intermediate legislature, and operates within the ambit of such delegation, with autonomy that is subject to the limitations of common law.

Decentralising these key authorities and functions of government to local government can be one of the key mechanisms for ensuring that people participate in local governance. Sikander (2015) stated that decentralising governance enables people to participate more directly in governance process and can empower people previously excluded from decision-making. Accordingly, Kasymova (2013) suggests that the involvement of citizens in decision-making processes is one of the basic principles of democratic local governance. Thus, entrenching democracy in local government system is significant as the sphere is expected to provide an enabling environment for interaction between government and the people (Madumo, 2015). Through local government, the central government can be able to easily interact with the people and effectively provide necessary services to its citizenry. Madumo (2015) argues that local governments have become government agencies that interface daily with the people and are entrusted with great responsibility of ensuring constant and sustainable delivery of basic services such as electricity, access to portable water, proper sanitation and waste removal. One of the critical mechanisms to ensure such interaction and participation of the people in local governance is through decentralisation.

2.4.4 Stakeholders in Local Economic Development

Local economic development (LED) is a collaborative process in which residents from diverse sectors work together to achieve long-term economic growth and development, which benefits all communities within the municipality and improves their quality of life. LED encourages the public, private, and civil society sectors to engage and build partnerships to develop local solutions to common socioeconomic concerns and enhance living conditions. LED is about residents in the community working together to generate long-term economic improvement that benefits everyone (Mokoena, 2019; Kanyane, 2008). Ndaguba and Hanyane (2019) share the same sentiments that LED integrates the public, non-governmental, and private sectors to work collectively towards achieving local progress in order to create better and more resilient conditions for generating employment and growing the local economy. Masuku, Jili and Selepe (2016) and Akudugu and Laube (2013) contend that LED becomes effective when local stakeholders and local authorities collaborate and work with both the private sector and civil society to improve the local economy using local resources, ultimately improving the quality of life for all.

The participation and collaboration of numerous local stakeholders helps to create a comprehensive and inclusive LED strategy, as well as its successful implementation (Beyer, Peterson & Sharma, 2003). According to UN-Habitat (2013), an effective LED process is participatory and inclusive, with public, private, civil society, and marginalized groups collaborating to identify locally based solutions to local problems. As a result, successful LED procedures require good local partnerships and participation of the local people, local governments, local businesses, and local civil society. LED's mission is to empower local stakeholders to achieve community goals through leveraging business enterprise, such as capital, labour, land, people, technology, entrepreneurship, and other local resources (Ndaguba & Hanyane, 2019). By harnessing local resources, LED allows residents to cooperate with local governments and other stakeholders to improve their economic conditions and quality of life. To this end, LED involves the participation and involvement of the national government, provincial

(regional) governments, municipal governments, civil society, and the private sector (Hoabes, 2013).

2.4.4.1 National Government

The national government is responsible for ensuring the success of LED implementation, and it has a number of duties, including coordinating and aiding municipalities in implementing their LED plans (Masuku *et al.*, 2016). According to Kamara (2021), the national government should provide direct assistance to provincial and local governments in certain situations, manage and provide technical support for planning the economic development of the nodes, facilitate, coordinate and monitor donor initiatives and help with LED capacity building processes. Furthermore, the national government establishes the overarching legislative and regulatory framework for LED and aids in the development of strong inter-governmental ties and institutions (Masuku *et al.*, 2016). Some of the functions played by the national government in LED, according to Hoabes (2013), include:

- Allocating resources for the implementation of LED projects in line with integrated development planning, which requires the identification of priorities and aligning local and regional with national priorities;
- Drafting of proposals for implementation;
- Identifying opportunities for capacity building with the training of artisans as a priority;
- Initiating employment and income generation opportunities to address challenges emanating from declining economics, retrenchments, and unemployment through economic restructuring and focusing on the creation of business diversity and the identification of top competitive sectors in the economy (focus on identified products)
- Improving communication among stakeholders;
- Harnessing comparative and competitive advantages and marketing the locality in cooperation with national investment attraction initiatives; and
- Improving the standing of sub-national government with funding and lending agencies to access resources for development (bankability).

2.4.4.2 Provincial/Regional Government

The regional or provincial governments are responsible for coordinating resources provided to respective departments and ensuring that local priorities and projects, such as LED, are realized (Hoabes, 2013; Hindson & Vicente, 2005). According to Kamara (2021), the provincial government's roles and responsibilities in LED may include coordinating and assuming responsibility for allocated resources from the national to provincial government, ensuring that they are aligned with local government priorities, and assisting local governments in building their capacities to undertake and implement LED strategies. Hoabes (2013) and Hindson and Vicente (2005) argue that LED is a major delivery area for local communities and that the regional government has an important role to play in developing the capacity of municipalities to undertake LED by supporting them in their programmes.

2.4.4.3 Local Authorities/Government

Many governments around the world have delegated certain functions to local governments, including the promotion of economic growth in their communities. Local governments or authorities play a key role in their communities' economic development (The Federation of Canadian Municipalities and the United Cities and Local Governments (UCLG), 2014). In this regard, local governments must ensure that all stakeholders collaborate to establish the best ways to build the local economy and manage the environment to attract foreign investment in a systematic, effective, and efficient manner (Masuku *et al.*, 2016). According to UCLG (2016), local governments are crucial entities in the economic development process because they must provide leadership and provide a healthy, stable climate in which businesses can thrive. Local governments must also organize various LED stakeholders to forge acquaintance for improved services and implement initiatives that would attract investors to their area (Local Government SETA (LGSETA), 2019). Local government is expected to organize, bring all stakeholders together, and create a conducive environment for them to participate actively in LED procedures as the institution closest to the people. Municipal governments in particular, are expected to provide and manage local resources for LED implementation, as well as disseminate information

about LED projects and monitor and assess the process (LGSETA, 2019; Masuku, *et al.*, 2016). As a result, UCLG (2016) reflects that local governments, either directly or through delegating community-based authorities, should take the lead and coordinate the development and implementation of LED programmes. Local government plays an important role in supporting economic development in order to boost growth, which leads to more economic possibilities, jobs, and poverty reduction in the communities under its authority.

2.4.4.4 Civil Society

Civil society plays different roles in local development and could have a positive influence in the implementation of LED (Local Government SETA, 2019; Kahika & Karyeija, 2017). Civil society involves organised groups such as non-governmental organisations (NGOs), trade unions, faith groups, social movements and community-based organisations (CBOs) that exist in a locality (Cooper, 2018). According LGSETA (2019) and the World Bank (2012), civil society organisations (CSOs) are essential in supporting the implementation of local economic policies. CSOs have a great potential for promoting inclusive growth and economic development of a region in collaboration with local institutions and other key stakeholders. Civil society is made up of a diverse group of actors with diverse goals, constituencies, structures, degrees of organization, functions, size, resource levels, cultural contexts, philosophies, membership, geographic coverage, strategies, and techniques (Cooper, 2018). Therefore, it has the power to organize individuals to engage in LED processes by bringing them together. Kahika and Karyeija (2017); Mutabwire (2012) and Oduro-Ofori (2011) highlight that CSOs are viewed as resourceful and innovative structures for implementing development programmes, and they can serve as vehicles for national and local policy implementation by carrying out delegated functions from the central government and championing the provision of services to the local population. CSOs can assist in ensuring that the voices and needs of the ordinary people are heard during the creation and implementation of LED strategies. Similarly, CSOs encourage marginalized populations' socioeconomic inclusion and maintain accountability and transparency in LED processes.

2.4.4.5 Private Sector

The private sector is a key stakeholder in the economic development of local communities in a country and is considered instrumental in economic development and necessary for LED initiatives (LGSETA, 2019; Krishna, 2011). The local government authorities need to build relations with both local and the external private sector by fostering partnerships and involving them in the LED planning and implementation processes. This could be in the form of public-private partnerships (PPPs) at the local level. Private sector actors are increasingly recognized as a major force in economic growth and development through investment, employment and business creation, innovation and knowledge transfer, and other multiplier effects from their operations and activities (Allison, 2012). According to LGSETA (2019), the private sector is necessary in strengthening LED initiatives by providing funding for start-ups and existing small and micro enterprises towards sustainable entrepreneurship by creating necessary avenues for investment, job creation and innovation to enhance business processes, thereby leading to improved efficiency and competitiveness. The private sector could be the major contributor to economic growth and employment creation, thereby reducing poverty and improving the standard of living of local communities. Thus, the private sector is a determined actor to assume the critical role as the vehicle for economic growth and poverty reduction in most localities if integrated in the LED processes. To achieve this, local government authorities should create an enabling environment for the private sector to assume their essential role in LED.

2.4.5 LED Planning Process

LED planning is a method of involving local citizens in a conversation about their community. It encourages them to discover local issues, find local solutions, and have a genuine say in local decisions affecting their needs, priorities, and future. The process is ongoing, involving all members of the community, and it covers all areas of a community's quality of life, particularly those that require the most help (Sekhampu, 2010). LED planning is rarely done in isolation from other municipal planning initiatives or outside of the community's larger, long-term, multidimensional goals. When a municipality begins to prepare for LED, it must focus on

merging a diverse group of stakeholders while also maintaining a strategic focus on attaining balanced development and growth across the whole economy. Organising the effort, assessing the local economy, establishing a viable strategy, implementing it, and reviewing it are the five strategic steps of LED planning which are discussed below.

2.4.5.1 Organising the Effort

The goal of this stage is to allow for extensive participation with all affected and interested parties so that the plan may be guided by a shared vision. According to Swinburn *et al.*, (2006: 4), institutional arrangements and the involvement of interest groups should take place early in the planning phase. The first phase is to identify the individuals, government institutions, corporations, industries, civic organizations, professional associations, think tanks, training institutions, and other entities that have the power to influence the local economy (World Bank, 2006; Swinburn *et al.*, 2006). A LED team should be constituted, with this group initially in charge of the strategic planning process. To make LED a success, the public, private, and non-profit sectors must collaborate. This stage also includes team building and exploration of the stakeholders' diverse abilities, experiences, and resources, all of which help to strengthen the strategic planning process as a whole. Collaboration among different stakeholders to develop partnerships and organizational frameworks might aid in the formation of good working relationships (Musakwa, 2009; Swinburn *et al.*, 2006). As a result, public, commercial, and non-governmental partnerships gain support for the planning process, which helps them in the long run. One of the fundamentals of LED is the engagement of all stakeholders from the public (government), private (commercial), and non-governmental (NGOs, trade unions, social, civic, and religious) sectors. Semi-formal, loosely coordinated networks, a regional development agency, or a formally structured public-private partnership could all be examples of these collaborations.

Swinburn *et al.* (2006) contend that maintaining and sustaining such partnerships is often an important and challenging factor that determines the effectiveness of LED efforts. Significant stakeholder involvement and collaboration is needed if we are to effectively establish and build

an LED strategy before executing it efficiently. A supportive framework is an active and transparent process of stakeholder interaction. Stakeholder engagement must be broad and deep, equal and equitable, and planned ahead of time to achieve this goal. The process requires participation and collaboration from the community's public (government and governmental agencies), private (enterprise), and non-profit (civil society) sectors. Each stakeholder group brings its own set of talents and resources to the table, and each one is involved in advocating for the greater good. Establishing functioning ties and methods that fully engage these stakeholders in the process would also aid in the facilitation and expansion of the project by building confidence, which leads to long-term, and mutually beneficial formal public/private/non-governmental partnerships.

2.4.5.2 Local Economy Assessment

An assessment of a local economy's internal capabilities and external opportunities is known as a local economy assessment (United Cities and Local Governments, 2016). According to Swinburn *et al.* (2006), it is important for stakeholders to know the specifics of the local economy in order to identify and agree on realistic, practical and achievable LED strategies. The primary purpose of a local economy evaluation is to identify economic opportunities that may be leveraged to support the LED plan, as well as challenges that may compromise the strategy's long-term success. A useful technique for acquiring and analysing strategic data on the local economy is local economy evaluation. The local economy assessment can provide data and statistics to persons working on LED plans, helping them to research and forecast significant economic drivers and influences, as well as identify strengths, weaknesses, opportunities, and threats. Mbhele (2013); Swinburn *et al.* (2006) aver that the first step in evaluating the local economy is to identify the gaps that need to be filled by gathering pertinent data that may be inaccurate, missing, or non-existent, allowing a SWOT analysis to be undertaken to produce an economic profile for the area. Mbhele (2013); Swinburn *et al.* (2006) further highlight that the local economic assessment will be used to identify public, private, and non-governmental resources, as well as to collect and evaluate critical existing or new quantitative and qualitative data and build up data management systems for future monitoring and evaluation. Data about the

resources and activities of neighbouring communities or other local, regional, national, or international competitors is also useful.

Effective LED strategic planning involves reviewing and analysing the contributions of regional economic development programmes and projects already underway in the region (Swinburn *et al.*, 2006). The assessment should reflect if it is probable for a various range of local economic development prospects across all major sectors such as formal, informal, and community-based sectors. A local economy assessment includes a full inventory and analysis of the community's assets and liabilities, as well as information on national, regional, and local economic events and trends. Its goal is to collect and consolidate data in order to determine a community's assets and liabilities, as well as its competitive position. The amount and type of data collected, on the other hand, will be established based on available resources, budget, and the local economy's structure. In many developing countries, economic information is only available at the national level. Collecting accurate information about the local economy can be an expensive task, and towns with limited resources may struggle to do it. In these situations, it is necessary to consider different methods and approaches in order to understand the local economy. Such approaches can include corporate and community group meetings, interviews, and simple surveys (Swinburn *et al.*, 2006). Local economy assessment involves creating a conducive environment for economic development by reviewing the economic strengths, weaknesses, opportunities and threats within the local areas or environment.

2.4.5.3 Strategy Developing

Developing an LED strategy is a comprehensive process that must consider all factors in order to allow for flexibility and change adaptation, which will inevitably lead to long-term development and progress (Federation of Canadian Municipalities, 2014). The main goal of creating a strategy is to have a comprehensive approach to LED strategic planning (Swinburn *et al.*, 2006). Mbhele (2013), Musakwa (2009); World Bank (2003) suggest that the establishment of a good and sustainable LED strategy should be based on a comprehensive approach that considers the local economy's competitiveness. Stakeholders participating in developing LED plans, particularly at

the municipal level, must ensure that LED interests are balanced with environmental and social demands in order to ensure that economic progress does not come at the expense of environmental and social needs (Mbhele, 2013; Swinburn *et al.*, 2006). This stage of LED strategy formulation allows the municipality and all stakeholders to invent their vision, goals, action plans and objectives for business establishment in the area (Hlomuka, 2020). A typical LED strategy has the following five elements (Swinburn *et al.*, 2006):

- Vision: The first step is developing a vision, whereby the stakeholders' consensus on the preferred economic future of the community is established and described.
- Goals: This stage involves developing the desired goals to be achieved, which are directly linked to the overall vision and specify desired outcomes of the economic planning process.
- Objectives: This step involves developing objectives in a quest to establish performance standards and target activities for the development of each goal that must be achieved within a stipulated agreed-upon period.
- Programmes: At this point, various approaches to achieving realistic economic development goals are set out, while also proposing a period for achieving them.
- Projects and Action Plans: During this stage, specific programme components are prioritised, and cost is established to ensure that resources are used efficiently to yield the desired result. Specific programmes are implemented within a specified period.

2.4.5.4 Strategy Implementation

One of the most crucial aspects in the success of an LED strategy is its proper and successful implementation. This is a crucial phase that determines whether local government LED programmes succeed or fail (Hlomuka, 2020). The LED strategy is a comprehensive plan that specifies short, medium, and long-term goals and actions, as well as a strategy for promoting and developing the economic, physical, social, and environmental assets of a community. It addresses both the challenges and opportunities (Swinburn *et al.*, 2006; World Bank, 2003). This has a direct or indirect impact on the long-term LED plan's execution. Every strategy should have a detailed implementation plan that outlines the institutional and procedural consequences

of implementing the LED plan, as well as the financial and human resource requirements (Swinburn *et al.*, 2006). All the strategy's LED programmes and initiatives are included in the implementation plan, ensuring that the strategy's direction is clear, and that programmes and projects are not competing for resources and support unnecessarily. The LED approach is primarily implemented through the establishment of public-private partnerships (PPPs), which are heavily influenced by local governments (World Bank, 2003). All interested and impacted stakeholders who have a shared understanding, above and beyond their particular interests, must drive execution in order for the projects to be successful and to produce the desired results.

2.4.5.5 Strategy Review

The strategy review step of the LED strategic planning process is just as vital as the preceding stages, which are all interconnected and complementary. A LED strategy must include a review of the strategy. Although LED strategies are typically designed for three to eight years, they should be evaluated at least once a year to allow for adjustments in response to changing local conditions, with a more extensive modification occurring every three years. A strategic review, according to Swinburn *et al.*, (2006), enables for adjustments in response to changing local conditions and ensures that potential weaknesses or faults that could jeopardize the quality of the strategy and success are identified and corrected. The goal of the strategy review is to determine the strength of the LED strategy through ongoing mentorship and monitoring, as well as to assess the impact of LED on the lives of the communities (Hlomuka, 2020). The resources available to carry out the strategy, as well as the local economy's established and agreed-upon monitoring and evaluation indicators, should all be considered in this assessment (Swinburn *et al.*, 2006). Inputs, outputs, outcomes, and impacts, as well as the implementation process and stakeholder participation degree and extent, should all be included in the evaluation where possible. In addition to the strategic review, mechanisms to track the progress of each project should be implemented, as these systems would allow decision-makers to adjust their approach in response to changing local conditions. As previous programmes or projects are completed or declared ineffective, new ones can be identified.

2.4.6 Approaches to Local Economic Development

There have been several changes in the field of local economic development (LED) over the last few decades. This is due to a better understanding of the concept's dynamics and the tools used in the process. There has been a rise in specialized research, which has resulted in new breakthroughs. As a result, a variety of LED-related methodologies has arisen on a global scale. In light of these new developments, municipal plans are completely dependent on certain assumptions about local economies and their effects. According to Hlomuka (2020), traditional approaches, entrepreneurial-competitive approaches, urban and rural efficiency approaches, human resource development approaches, community-based approaches, and progressive approaches are just a few of the many different LED approaches.

2.4.6.1 The Traditional Approach

Blakely (2010) argues that traditional approaches to LED have largely been entrenched in principles of silo planning and development, where an emphasis has been placed on attracting large manufacturing companies. As a response, the local economic climate has been negatively affected and this has led to unfavourable work climate that raises health issues for those who work in such environments while also reducing the quality of life in the neighbourhood. Many manufacturers release dangerous poisons as a by-product of their processes in rural areas. Because they are outside of the mainstream of urban development, where regulatory mechanisms are more strictly enforced, enforcement of air, mineral, ground, and water resource restrictions is insufficient. Blakely (2010); DPLG (2006) contend that traditional approaches assert that the key to local economic prosperity and development is through attracting (primarily manufacturing) investment. This is accomplished by offering tax breaks, lower land costs, lower rates, and even direct financial compensation in exchange for relocating to the area. Acquiring businesses and attempting to stimulate economic development using such methods has recently proven ineffective in countries with strong labour unions and well-protected workers' rights. Traditional approaches' major proponents claim that investment creates jobs and generates taxes that may be utilized to provide services. The long-term viability of local economic growth based on this

strategy, on the other hand, has frequently failed and proven insufficient to address the issues for which it was designed.

2.4.6.2 *Entrepreneurial-competitive Approach*

Blakely (2010) states that the entrepreneurial-competitive strategy is defined by ideas that promote the identification of competitive possibilities and strengths that can be used to obtain comparative advantages over other nearby areas. Local governments are the primary stewards of this method, as they are seen as the primary drivers of development in their jurisdiction. They take the initiative in identifying actual or potential development sectors and provide direct support to local enterprises through research, loans, grants, consulting, and technological infrastructure (Blakely, 2010). Supporting entrepreneurship is the best approach for local governments to promote economic development. The small number of growth-oriented businesses that can expand successfully should be the focus of policymakers. Many municipalities conduct SWOT analyses in order to get a complete understanding of the factors that can have a direct or indirect positive or negative impact on the achievement of long-term local economic development. DPLG (2006) agrees with the latter view, claiming that municipalities have conducted research to determine their community's unique economic strengths. Local government should first, determine which local entrepreneurial enterprises are successful, what local assets they represent, and who the key players are that are driving their expansion. Secondly, create networks around thriving local business owners to connect them with those who started nearby companies with promising development prospects. Thirdly, work in tandem with entrepreneurial leaders to address the most crucial requirements of entrepreneurs and expanding local firms. In order to assess outcomes and inform the community, gather statistics on expanding entrepreneurial firms. A local industrial strategy has even been developed by some of these municipalities to respond to this challenge. According to Blakely (2010), entrepreneurial-competitive approaches emphasize the relevance of local comparative advantages, arguing that small enterprises play a critical role in job creation.

2.4.6.3 *Urban and Rural Efficiency Approach*

The LED efficiency strategy emphasizes the need to establish an investment spirit that encourages both pro-poor and pro-growth development that provides communities with long-term and real advantages. According to the Department of Cooperative Governance formerly known as DPLG (2006), the efficiency method proponents argue for a strategy in which local governments should devise creative ways to enhance production. Reduced inputs and higher yields will be used to achieve this. One of the methods to attract more investors is to lower both the cost of living and the cost of doing business in the area. According to the department, some proponents have stated that reducing government participation, lowering taxes and service charges and privatising services where possible, are the best ways to increase efficiency. Others argue that successful government planning is the key to success. As a result, this argument is particularly pertinent in South Africa, where government spatial planning during the Apartheid era has resulted in long-term inefficiencies (DPLG, 2006). The compacting and reengineering of space is one of the distinctive solutions adopted in post-apartheid South Africa as a policy aimed at making up for the mistakes of the past by bringing people and jobs closer together while also reducing travel times and other expenses.

2.4.6.4 *Human Resource Development Approach*

The major pillars of this method, which is seen as vital to the survival of LED, are knowledge, commitment and development of skills. Low or average skills, particularly among the poor, are arguably one of the most significant constraints encountering promising investors, and they operate as a roadblock to long-term growth, particularly in rural areas. Furthermore, Blakely (2010) argues that poor people are unlikely to benefit from whatever new jobs there are unless they have appropriate skills. To achieve a similar objective, the human resource development technique can be adopted by encouraging local governments to either promote the construction of local training bodies to increase local skills or to focus the operations of national training agencies towards the local areas. Companies doing business within the municipal or local area borders may be subject to restrictions requiring investors to give their employees some minimum

levels of training. This would be part of their responsibility to the community or commitment to skills development (DPLG, 2006).

2.4.6.5 *Community-based Approaches*

The community-based strategy, which primarily targets underprivileged populations, emphasizes the empowerment of destitute groups. According to the DPLG (2006), community-based programmes emphasize the need of connecting directly with low-income communities and their organizations. This strategy is strongly related with the principles and framework of pro-poor growth development since its main purpose is to raise the socioeconomic standards of the poor. Despite the good intentions behind this strategy, experience has shown that without stringent gate-keeping processes in place, it produces only modest results. Blakely (2010) affirms that investment is all very well, but the benefits are unlikely to accrue to the most needy unless they are active participants in new development, with the capacity to plan, monitor and enforce wider benefits. Government departments claim that significant support is required for institutions like Community Development Trusts (CDTs) and Community-Controlled Enterprises (CCEs) to achieve their goals (DPLG, 2006). Local credit unions or development corporations must also be supported because they are essential to the strategy's success.

2.4.6.6 *Progressive Approaches*

The need to eradicate disparities drives progressive initiatives. This can be accomplished by putting in place planning gain principles, which link planning approval in profitable locations to investment in less profitable areas like rural areas and townships (DPLG, 2006). In the case of South Africa, where apartheid practices exploited and established a reverse principle, resulting in a variety of development gaps, progressive measures are even more necessary. Blakely (2010) argues that such approaches are rooted on principles that promote mutual benefits. Investors need to invest a portion of their profit in the local areas, in a quest to stimulate development and improve infrastructure. DPLG (2006) shows that progressive approaches explicitly aim to link profitable growth and redistribution development. For instance, Blakely (2010) further states the

requirement that, when financial institutions create a branch in a given area, they must invest a particular percentage of their turnover in local small enterprises. In circumstances where banks are unwilling to open branches in low-income areas (such as rural areas and townships), governments have taken steps to entice investors by making branch openings a requirement for access to municipal money and accounts.

2.4.7 Role of Local Government in Local Economic Development

Local government has emerged as the most important tool for accelerating and sustaining local development around the world and frequently viewed as a potential tool for economic development and public service supply (Majekodunmi, 2012). Sebola (2015) argues that the local sphere of government remains at the centre of achieving basic services in any state regime. According to Binza (2005), modern local government policy discourse demands for local governments to be development-oriented and people-centred in their development. These factors suggest that, in order to improve people's living conditions, local governments should play a significant developmental role in providing social amenities and services to them at the grassroots level. Local government is essential for basic service delivery and can be thought of as the engine that propels community growth (Reddy, 2016).

Majekodunmi (2012) purports that local government can create an enabling and conducive environment for the people at local level. This is because local government is regarded as the level of government closest to the people and is believed to be strategically placed to discharge the developmental role bestowed upon them by the law (Majekodunmi, 2012; Visser, 2010). According to Sebola (2015), local government is the area of government that is closest to its constituents and involved in the delivery of a wide variety of services that have a significant impact on the lives of residents in their jurisdiction. However, Tsatsire (2008) argues that the focus of local government and its close proximity to people presents difficulties and challenges for local government to transform. On the other hand, local government is regarded as an indispensable arm of government and forms an integral part of governance and administration at

the grass-roots level. In order to understand the role of local government, it is important to conceptualise local government functions.

Government policy revisions and devolution of authority have clearly ascribed a developmental mandate to municipal governments around the world (Nel, 2005). Local region development has gone from being a political enclave reserved for national government to being a concern of local government, all sectors and the community itself (Maleka (2002). Factors which include rising levels of poverty, inequalities, unemployment, limited access to basic services, urbanization, globalization, technological advances, and an increasingly competitive environment form the new external framework in which municipalities around the world must grapple with to maintain their economic status (Koma, 2013). As a result, local governments, particularly in poor nations, have assumed a proactive role in local development as well as responsibilities for promoting LED within their jurisdiction (Maleka, 2002). The involvement of the local government in promoting LED has become a critical aspect of governance.

Several authors, notably Qongo (2013); Rogerson and Rogerson (2010), define LED as a process in which local governments work with NGOs, community-based organizations, the commercial sector and the general public to create jobs and stimulate economic activity. This shows that local governments are seen as one of the most significant players in the LED process, and for this reason are pushed to be more aggressive in economic growth. Local governments may have a huge impact on LED by forming partnerships with the corporate community (South Australian Centre for Economic Studies, 2013). Local governments have clearly acknowledged the potential role they may play in boosting economic success in their communities (Rogerson & Rogerson, 2010). However, Meyer (2014) and Triegaardt (2007) caution that local government is not responsible for creating jobs, but instead it is responsible for creating an enabling environment for economic development.

According to Meyer (2014), the overarching role of local government in development is to provide an enabling environment for all its residents and businesses to prosper through LED strategic planning, which maintains a balanced approach between pro-poor and pro-growth

provisions. To put it another way, local governments should seek out and develop new options that will help local areas to better their economic prospects. As a result, local governments should adopt policies and programmes that promote LED in their jurisdictions. Local government should also function as a regulator, which has become increasingly important as more private enterprises have been founded, as well as playing a key role in economic growth, which is best suited to local government (VNG International, 2007). As a result, local governments have understood that they are just one of many parties involved in LED planning which serves as an organized procedure that involves local residents in a discussion about their neighbourhood. This motivates them to identify community issues and to come up with relevant solutions and have a real say in their community life. Furthermore, this process takes place over time, engaging all members of the community and addresses all aspects of a community's quality of life, particularly those that require the most assistance (Sekhampu, 2010). Therefore, local governments, particularly municipalities, should be in charge of the LED development and implementation in order to address the socioeconomic difficulties that local communities face.

2.5. CONCLUSION

The chapter has provided the theoretical framework that guides and underpins the study. Entrepreneurship theories play an important role to the development and understanding of entrepreneurship field and explain economic factors that boosts entrepreneurial activity. Although the field of rural entrepreneurship is incipient within entrepreneurship literature, it has emerged as one the potential ways to promote economic development in local communities and has gained importance in recent years. As a result, concentrating on rural entrepreneurship as a tool for tackling rural communities' socio-economic difficulties is critical. Entrepreneurship is vital in LED because it creates jobs and value, reduces poverty, and improves economic conditions, all of which help to improve the general level of living and socio-economic conditions of rural communities. LED is a vital element of contemporary society, and it necessitates collaboration between government, local companies, and individuals to improve local socioeconomic conditions and improve the quality of life for all residents. The next chapter examines the literature on rural entrepreneurship and LED in developing nations.

CHAPTER 3: THEORISING RURAL ENTREPRENEURSHIP AND LOCAL ECONOMIC DEVELOPMENT: INTERNATIONAL PERSPECTIVES

3.1 INTRODUCTION

In the face of huge economic and demographic shifts, many rural communities around the world, especially in the developing countries, are fighting to retain economic and social life (Frazier & Stoel, n.d). As a result, several towns have concentrated their efforts on establishing and cultivating entrepreneurs in order to revive their areas' drooping economies. As a result, rural entrepreneurship may provide opportunities for people, families, and communities in a given country to improve and maintain their living standards and a healthy local economy (Apata *et al.*, 2015; Dilip, 2014; Petrin, 1994). Entrepreneurship is viewed as a key method for rejuvenating poor rural areas by both scholars and policy makers alike (Besser & Miller, 2013). Entrepreneurship promotion in rural regions is viewed as a key driver of local economic growth and development. Because of its impact on economic growth and sustainability, entrepreneurship has gained widespread global acceptance in both developed and developing countries for many years (Agbenyegah, 2013; Le & Nguyen, 2009). According to Agbenyegah (2013), entrepreneurship has achieved huge global recognition as being critical to many countries' economic progress through sustained competitiveness and favourable financial benefits.

Promoting and supporting entrepreneurial development is an increasingly popular approach to economic development, which seeks to create new jobs, new leaders and bring innovation to communities through the creation of new local ventures (National Centre for Small Communities, 2003). The local economy and entrepreneurial activities in many rural areas are mostly driven by small businesses in the formal sector, which are mostly susceptible to numerous challenges that endanger the survival of such undertaking (Agbenyegah, 2013). Accordingly, as inspired by research on entrepreneurship's importance to sustained economic growth and wellbeing, many governments as well as non-governmental organizations around the world have increasingly sought strategies and programmes to encourage and support

entrepreneurial activities and ventures in rural communities (Auerswald, 2015). Achieving this, will however depend on how enabling the environment is for entrepreneurial activities to thrive and survive and how they respond to the numerous challenges that plagues their success. Furthermore, the growing interest in introducing policies and initiatives to assist entrepreneurship has coincided with a growing realization among a variety of stakeholders that entrepreneurship is a highly context-dependent activity (Auerswald, 2015). Agbenyegah (2013) states that entrepreneurship remains one of the oldest stimulants of local economic activities, which enable individuals to identify business opportunities for exploitation, particularly in rural areas. Thus, the purpose of this chapter is to conceptualise rural entrepreneurship and local economic development (LED) in order to determine how both concepts are interwoven, particularly in developing countries. The chapter, firstly, highlights the importance of spatial context in understanding entrepreneurship, in particular rural entrepreneurship and how it relates to its geographic place, with regard to rurality and the environment. This provides a conceptual understanding of what rural entrepreneurship means in terms of its significance and challenges. Secondly, the chapter conceptualises LED at the local government level. The focus is on: (1) defining the concept LED, the historical contexts of LED, the LED planning process and principles as well as its challenges; and (2) understanding local government as a sphere of government, its role in LED processes and challenges of local government in developing countries.

3.2 UNDERSTANDING ENTREPRENEURSHIP: A GLOBAL PERSPECTIVE

Developing countries are characterised by a myriad of socio-economic problems such as high levels of poverty, stagnant economic growth, low per capita income level, high unemployment and population growth rates as well as low standards of living. Developing countries face varying problems of widespread and chronic nature including absolute poverty, high levels of unemployment and underemployment, inequality, low levels of agricultural production and debts. Sadly, many of these developing countries continue to face these appalling conditions and poverty remains their major concern (Acs & Virgill, 2009). Thus, many developing countries have turned their focus on entrepreneurship development as an important mechanism and driver

of economic development to address these challenges in their countries. In developing economies that are still lagging behind compared to their developed counterparts, entrepreneurship is viewed as an important element of instigating positive economic growth, competitiveness, innovation and alleviating poverty. According to Acs and Virgill (2009), economic development involves change and transformation of a particular country, and entrepreneurs are the most suitable agents for such change. As such, developing countries are developing entrepreneurial policies to create enabling environments that stimulate the creation of new firms or small businesses and for existing firms to thrive. However, entrepreneurship in developing countries is often a challenge (Soluk, Kammerlander & Darwin, 2021). Hence, entrepreneurship in these countries has increasingly become a major focus of their national development policy discourse.

3.2.1 State of Entrepreneurship from an International Sphere

There is a wide consensus that entrepreneurship is important and is the main vehicle for economic development of both developed and developing countries (Mwatsika, 2015; Kaburi, Mobegi, Kombo, Omari & Sewe, 2012). The formation of new firms can be beneficial for economic growth, employment generation and poverty reduction both in developed and developing countries (Vivarelli, 2012). Entrepreneurial activities may influence a country's economic performance by bringing new products, methods, and production processes to the market and by boosting productivity and competition more broadly. However, entrepreneurship varies from one country to another and the effect of entrepreneurship on economic development may not be consistent in developing and developed countries. Entrepreneurship is seen as greater in more developed countries with higher income levels compared to developing countries (Doran, McCarthy & O'Connor, 2018). Entrepreneurial success does not take place in a vacuum. Entrepreneurs exist in the context of their particular geography, their local, national, or even supranational economy and society. Doran *et al.* (2018) postulate that total early-stage entrepreneurial activity (TEA) encourages economic growth in high-income countries but discourages growth in low-income countries. Entrepreneurial activity is negatively related to economic growth in middle/low-income countries, but entrepreneurial attitudes have a

significantly positive effect on GDP per capita in high-income countries. According to the World Economic Forum (2015), the early-stage entrepreneurial activity is higher in economies that are less competitive and lower in highly competitive economies. Competitiveness matters for entrepreneurship, but not in any simple or straightforward way. The most competitive economies are not the ones with the newest business creators, yet on a per-entrepreneur basis, their economies tend to derive greater benefit from their smaller concentration of entrepreneurs than do less competitive economies.

It is noteworthy that some countries have the highest early-stage entrepreneurial activity but are less competitive. For instance, Uganda, Ecuador, Chile, Colombia, Peru and Argentina have the highest rate of early-stage entrepreneurial activity but have the lowest competitive economies in the world (World Economic Forum, 2015). Of the highly competitive economies, the United States of America (USA) has the highest percentage of early-stage entrepreneurship with 11% compared to other highly competitive economies such as Switzerland, while in moderately competitive economies, Latin American and Asian countries such as China, Colombia, Chile and Brazil have the highest percentages compared to other moderately competitive economies (World Economic Forum, 2015). The World Economic Forum also found that Latin America and the Caribbean regions have the highest concentration of early-stage entrepreneurial activity, while European countries such as Belgium, Russia, Italy, Finland and Denmark have lower early-stage entrepreneurial activity. Undoubtedly, the USA is recognised as the most entrepreneurial country in the world. Some of the most developed nations such as the USA are world leaders today because of their forward-thinking innovation, research and entrepreneurial individuals. It is estimated that start-ups or new firms in the USA create 39.75% of new jobs annually, adding 6.54 jobs per new establishment on average (Badal, 2010).

Due to the development and complexity of entrepreneurial activity in the global south, entrepreneurship in developing countries has been a constant source of fascination (Quaidoo, 2018). In comparison to more established countries, emerging market entrepreneurship is unique and understudied (Lingelbach, Vina & Asel, 2010). Comparably, other African countries' averages are 26 and 13 percent for TEA and established business ownership, respectively (Singer

et al., 2015). Closer inspection of most African countries reveals that there is a general neglect by African policymakers to carefully study entrepreneurship dynamics within their economies. To illustrate this further, Singer *et al.* (2015) observed that numerous developing nations ignore the basic principles of entrepreneurial development such as collecting data on entrepreneurship trends within their economies. According to Lingelbach *et al.* (2010), entrepreneurship in developing countries is arguably the least studied and least understood major economic and social phenomenon. Doran, McCarthy and O'Connor (2018); Naude (2010) stated that the area of entrepreneurship is under-researched in the domain of entrepreneurial research in developing countries. Amankwah-Amoah and Lu (2018) argue that the evolution of entrepreneurial development in developing nations remains limited. More disconcerting is the fact that within these countries, there are no proper standards to define, explain and measure entrepreneurial activity. Hence, such a paucity means that many African countries end up adopting international entrepreneurship policies and standards to regulate entrepreneurship. A vast majority of these policies are not entirely applicable to the African context. In other words, these policies fail to account for, and address lived experiences and actual problems faced by African entrepreneurs.

Entrepreneurship in developing countries is essential for addressing developmental challenges inflicting these countries. Entrepreneurship in developing countries is advocated because of its potential to create employment through formation of new enterprises, raise productivity through innovation, facilitate transfer of technology, harness resources, stimulate growth and encourage and sustain economic dynamism (Infamidon, 2014). Scholars and policy makers believe that entrepreneurship is an important component for stimulating economic growth, innovation, competitiveness and poverty alleviation in developing countries (Incekara & Savrul, 2013; Vivarelli, 2012). These scholars and policy makers view entrepreneurship as an engine for economic growth and development in less developed or impoverished countries. Entrepreneurship has since gained importance for accelerating growth and development in developing countries, through capital formation, wealth creation, poverty reduction and employment creation (Kaburi *et al.*, 2012). The assumption is that forming new businesses can help with economic growth and job creation (Vivarelli, 2012). Entrepreneurship is credited with

a slew of beneficial improvements and is linked to the production of jobs, wealth, innovation, and other welfare impacts in emerging countries (Incekara & Savrul, 2013).

In many developing nations, entrepreneurship promotion has become a key policy agenda item and priority for job creation, poverty reduction, and economic growth and development in recent years (Adewumi & Keyser, 2020; Nwankwo & Francis, 2017; Hugo, Masahiko & Masahiko, 2002; McQuaid, 2000). According to Soluk, Kammerlander, and Darwin (2021), entrepreneurship is a critical tool for addressing the persistent problem of poverty among rural communities in developing countries. Incekara and Savrul (2013) also point out that while entrepreneurship is not a precise remedy to enhance economic development in underdeveloped nations, when done correctly, it can ameliorate economic development. The power of entrepreneurship as a catalyst for economic growth is best exemplified by the Asian Tigers (Liu, 2012). Within the last four decades, a strategic realignment of economic policies to develop small businesses and entrepreneurship in China, Singapore, South Korea and Malaysia for instance, have helped to sustain rapid economic growth (Hassan, 2007, Liu, 2012). Entrepreneurship, thus, catapulted these economies from developing countries to middle-income countries within a short space of time (Acs & Szerb, 2007). For example, China's GDP recorded a positive growth trend in the period from 1980 to 2014. Having witnessed such economic growth, as stimulated by entrepreneurship, numerous sub-Saharan African countries have since adopted entrepreneurship policies. Thus, the desire to enhance the economy through entrepreneurship is a common policy exerted by governments today around the world.

3.2.2 Significance of Rural Entrepreneurship in International Contexts

While the importance of entrepreneurship continues to appear in the development agenda of many economies, that significance has been expanded to include entrepreneurs in rural communities (Adewumi & Keyser, 2020; Nwankwo & Francis, 2017). Promoting and supporting entrepreneurial development is an increasingly popular approach to economic development, which seeks to create new jobs, new leaders and bring innovation to communities through the creation of new local ventures (National Centre for Small Communities, 2003). The local

economy and entrepreneurial activities in many rural areas are mostly driven by small businesses in the formal sector, which are mostly susceptible to numerous challenges that endanger survival of such undertaking (Agbenyegah, 2013). Accordingly, as inspired by research on entrepreneurship's importance to sustained economic growth and wellbeing, many governments as well as non-governmental organizations around the world have increasingly sought strategies and programmes to encourage and support entrepreneurial activities and ventures in rural communities (Auerswald, 2015). Achieving this, will however depend on how enabling the environment is for entrepreneurial activities to thrive and survive and how they respond to the myriad challenges that plague their successes. Furthermore, the growing interest in introducing policies and initiatives to assist entrepreneurship has coincided with a growing realization among a variety of stakeholders that entrepreneurship is a highly context-dependent activity (Auerswald, 2015). Agbenyegah (2013) contends that entrepreneurship remains one of the oldest stimulants of local economic activities, which enable individuals to identify business opportunities for exploitation, particularly in rural areas.

Rural entrepreneurship is viewed, by Kushalakshi and Raghurama (2014); Singh (2002), as one of the solutions to the problems of poverty, economic disparities, and unemployment with which to help develop rural areas. Mugobo and Ukpere (2012) argue that entrepreneurship is a ladder out of poverty and into economic stability for the rural poor and that rural entrepreneurship and small business development are seen as one of the strategies for rural development. According to Akgun *et al.* (2010), rural development based on entrepreneurship aims to make the best use of local resources while building and maintaining strong local and external ties between actors (social capital). This shows that rural entrepreneurship might play a critical role in rural economic development in developing countries by offering job and economic possibilities that would eventually lift their populations out of poverty and enhance their living standards. Babalola and Agbenyegah (2016); Herrington, Kew and Kew (2010) are emphatic that micro-enterprises are central to the livelihood system and survival of most people in many developing countries. Likewise, Nwankwo and Okeke (2017) share the same sentiments that entrepreneurship plays a crucial role in improving the living standards of rural dwellers and creates rural wealth.

Over 1.2 billion people remain entrenched in destitution and approximately 721 million of these people live in extreme poverty in the world (Kareem, 2015; Olinto, Beegle, Sobrado & Uematsu, 2013). Problems of poverty, unemployment, underemployment, migration and stagnant economic growth are widely prevalent in developing countries and they continue to pose major obstacles in the path of rural economic development (Banerjee, 2011; Singh, 2002). A majority of poor people in the world mostly live in the rural areas of developing countries and are most vulnerable to poverty, undernourishment and illiteracy (Shal, Amar, Allahyari & Ramezani, 2016). In spite of varied government efforts in developing countries, the rural populace continues to be afflicted by a myriad of development challenges including poverty, escalating rates of unemployment, inequalities, migration and stagnant economies. As a result, many governments in these developing countries have since recognized the need to develop rural entrepreneurship because of the innumerable benefits associated with fostering entrepreneurship. According to Lavanya, Hemalatha and Indumathi (2014); Saxena (2012); Banerjee (2011); Petrin (1994), entrepreneurship development is now seen by governments, institutions and policy makers as a strategic development intervention that could accelerate the rural development process in developing countries through alleviation of poverty, job creation and improved economic growth which could ultimately improve their quality of life.

Given that the major African population and other developing continents still live in rural areas, many governments have promoted rural entrepreneurship as a vehicle for economic growth for their rural populations in particular and their countries in general (Mugobo & Ukpere, 2012). As such, Mugobo & Ukpere (2012) assert that governments across the world, especially for the poor and developing countries, have accepted that entrepreneurship is a powerful tool for economic development and poverty alleviation. Rural entrepreneurship is increasingly viewed as an important mechanism for economic development of rural areas (Nandanwar, 2011). The small business sector around the world is a huge contributor to job creation, economic growth and poverty reduction, and provides a strong foundation for promoting business-friendly policies and strategies (Mugobo & Ukpere, 2012). Thus, these conceptualisations point out that the promotion of rural entrepreneurship may help in improving standards of living of the rural people in

developing countries through, inter alia, increased economic growth, employment creation, reduced poverty, income generation, reduced population slums and value or wealth creation.

3.2.2.1 Rural Entrepreneurship and Poverty Alleviation

Poverty has for a very long time been a developmental challenge in most developing countries, in particular African countries, which subsequently led to the establishment of various strategies and programmes to reduce poverty and improve the people's quality of life (Mwatsika, 2018). In the recent years, there has been a growing interest in finding a permanent intervention to alleviate rural poverty around the world, particularly in developing countries. On the other hand, Hussain, Bhuiyan and Bakar (2014) claim that around 2.47 billion people in the world were living in poverty in 2013 and had an income of US\$ 2 or less per day, most of them from poor or under-developing countries on the African and Asian continents. Poverty has been and continues to be one of the world's major development challenges. Thus, it is no accident that the United Nations' Millennium Development Goals (MDGs) agenda prioritizes and targets the eradication of poverty and hunger (Asitik, 2016). Significantly, most emerging countries have recommended entrepreneurship development as an effective alternative strategy of alleviating rural poverty because of rising poverty levels (Asitik, 2016; Kareem, 2015).

Various empirical evidence in developed and developing countries has shown that entrepreneurship has a direct impact on poverty reduction (Fiseha *et al.*, 2019). According to Fiseha *et al.* (2019), 57 studies showed that entrepreneurship has positive effects on poverty reduction through job creation, innovation and market activity, while a study in 76 countries around the globe found that small businesses in their sample of developed and developing countries made up an average of 64% of the economy. Ali and Ali (2013) opine that entrepreneurship development helps to alleviate poverty by creating jobs through the establishment of new businesses or the expansion of existing ones, which increases social wealth by creating new markets, industries, technology, institutional forms, jobs, and net increases in real productivity, all of which lead to higher living standards for the population. Similarly, in a 2006 World Bank survey of 600,000 small business owners in over 50 developing countries to

examine the role of entrepreneurship in reducing poverty, most entrepreneurs said that they had improved their standard of living (Fiseha *et al.*, 2019). Furthermore, the entrepreneurial activities of smallholders such as peasant farmers, street vendors, microenterprise operators, and others, may significantly aid in the eradication of poverty in developing countries by establishing jobs and a vibrant private sector (Asitik, 2016).

The role of entrepreneurship in reducing rural poverty in India was examined and the results showed that entrepreneurship solved the problems of rural poverty, unemployment, lack of economic diversity, low economic growth and low living standards (Fiseha *et al.*, 2019; Saxena, 2012). Asitik (2016) believes that there can be no meaningful poverty reduction if governments do not take measures to promote entrepreneurial activities that empower their citizens. Logically, it can be argued that the increase in the number of new enterprises or entrepreneurs in a particular country can result in reduced poverty rates, especially in rural areas. Saxena (2012) opines that the promotion and development of rural entrepreneurship plays a crucial role in redressing such appalling problems of poverty faced by the rural poor. Sharma, Chaudhary, Bala and Chauhan (2013) posit that rural entrepreneurship also helps in developing the backward regions thereby reducing poverty. Poverty is strongly associated with numerous negative measurable aspects of the standards of living and consequently reducing poverty can have positive effects on the lives of millions of people around the world.

3.2.2.2 *Rural entrepreneurship and Economic Growth*

In many countries around the world, entrepreneurship is rapidly being recognized as a main engine of economic growth (Lekhanya & Visser, 2016; Edoho, 2015; Mugobo & Ukpere, 2012). Entrepreneurial activities are regarded as one of the most important drivers of economic dynamics. Rural entrepreneurship is the practice of executing entrepreneurial activities through establishing enterprises and other rural jobs for the benefit of rural residents and the growth of the economy as a whole (Adewumi & Keyser, 2020). According to Yusuf and Albanawi (2016), the relationship between entrepreneurship and a country's economic growth has piqued the curiosity of economists and policymakers in recent years. Henderson (2006) claims that

countries with higher levels of entrepreneurial activity have stronger economic growth. For example, India has had a spectacular economic growth rate of 6% per year on average since 1991, and entrepreneurship has played a big role in this growth (Koster & Rai, 2008). These lines of reasoning support some of the popular comments that rural entrepreneurship development and growth are important in solving many of the economic development puzzles of African countries (Adewumi & Keyser, 2020; Malebana & Swanepoel, 2015). However, in low-income nations such as Argentina, Brazil, Chile, India, Mexico and Thailand, according to empirical analyses by Stam and Stel (2009), entrepreneurship has no effect on economic growth, whereas in transition and high-income countries like China, Hungary, Poland, Russia, and Slovenia, growth-oriented entrepreneurship appears to contribute significantly to macroeconomic growth.

Stam and Stel (2009) believe that the amount of growth-oriented entrepreneurship in a country is a more important driver of economic growth than common entrepreneurship measures such as self-employment and new business creation. Entrepreneurial activities are recognized as one of the driving forces behind any country's economic success. In any country, entrepreneurial activities are essential factors of economic success, prosperity and growth. Entrepreneurship is usually thought to be good to economic growth and development (Naude, 2013). Entrepreneurship is clearly viewed as a means of increasing the quality of life for rural individuals, families, and communities, as well as maintaining a healthy economy and environment. According to Doran (2018), entrepreneurship can have an impact on economic growth in a variety of ways such as knowledge overspill-overs, more competition, and increased diversity in terms of available product and service offerings. However, according to Naude (2013), evidence on whether entrepreneurship is important for economic growth is mixed; particularly how entrepreneurship has been promoted. Essentially, how it has contributed to development in countries like China and the East Asian Tigers is still a point of contention; and whether and why private-sector development initiatives are effective are all unanswered questions.

Entrepreneurship has long been recognized as a source of economic growth in the rural parts of Europe (European Union, 2012). The vast majority of EU people, almost 56%, continue to live in mainly or notably rural areas. The European Union's Europe 2020 vision for smart, sustainable, and inclusive growth includes entrepreneurship as a fundamental component (European Union, 2012). In middle/low-income nations, entrepreneurial activity (as defined by GEM) is negatively associated to economic growth, whereas entrepreneurial attitudes have a considerably positive effect on GDP per capita in high-income countries (Doran, 2018). According to Doran (2018); Ferreira, Fayolle, Fernandes and Raposo (2017), entrepreneurship's impact on economic growth varies based on a country's stage of economic development and growth, and it may differ between developing and industrialized countries. In emerging countries, economic growth is mainly reliant on the population's entrepreneurial activities (Yusuf & Albanawi, 2016). Many rural towns in these are struggling to preserve economic and social life in the face of significant economic and demographic shifts, therefore initiatives to rejuvenate drooping rural economies have centred on entrepreneurship (Frazier, Niehn & Stoel, 2012). Entrepreneurial activities, according to Mugobo and Ukpere (2012), can help rural communities achieve economic stability through greater growth. Rural economies can diversify and become less reliant on the economic pendulum swings that influence agriculture and other rural industries by encouraging entrepreneurial growth.

Rural entrepreneurship has the potential to create economic possibilities while also enhancing the overall economic growth and development of a community (Gautam & Mishra, 2016). Petrin (1994) argues that nations, regions and communities that actively promote entrepreneurship development demonstrate much higher growth rates and consequently higher levels of development than those whose institutions, politics and culture hinder entrepreneurship. Thus, rural entrepreneurship is becoming more well-known as an economic force that must be tapped if many rural communities are to survive (Nandanwar, 2011). Promoting entrepreneurial activities is a crucial approach for long-term economic growth. Furthermore, it has been discovered that entrepreneurial activity has a significant impact on economic growth and employment creation in rural areas (Joo, 2011). Clearly, there is broad agreement in the literature that entrepreneurial activities are vital for economic growth in both developing and developed countries. Most

importantly, entrepreneurship is viewed as a vehicle or engine of economic growth and development in rural communities worldwide. Some empirical evidence, on the other hand, does not provide conclusive evidence. While some studies suggest that entrepreneurial activity has a favourable or stronger effect on economic growth in developed nations than in developing ones, others conclude that entrepreneurship has no direct effect on economic growth in high-income countries but does in low-income countries.

3.2.2.3 Rural entrepreneurship and Employment Creation

At the heart of any business activity is the need to create jobs for rural society. According to Adewumi and Keyser (2020), the primary purpose of any entrepreneurial activity is to create employment for people on the rural scale of society. Entrepreneurship is viewed by Makgamatha and Moikanyane (2019) as a technique that can assist individuals who are unemployed by launching new enterprises that have the potential to develop and offer even more job possibilities for others. Recently there has been a growing interest on small businesses and entrepreneurship development as conduits for creating and accelerating job opportunities for the rural populace in the developing world. Saxena (2012) argues that rural entrepreneurship is labour intensive and has high potential for employment generation, which can provide a clear solution to the growing problem of unemployment in rural areas through the development of enterprises and firms. According to Adewumi and Keyser (2020), rural entrepreneurship is focused on rural industrialisation, with the purpose of meeting the needs of rural communities through job creation and rural development. Because of the ever-increasing rate of unemployment and rising rates of poverty, there is a growing level of economic deterioration; as a result, entrepreneurship plays a critical role in combating unemployment and developing small enterprises (Agbenyegah, 2013).

Undoubtedly, entrepreneurial activities have a significant impact on job creation, rural development, and rural local economic growth (Makgamatha & Moikanyane, 2019; Gamede & Uleanya, 2018; Müller & Korsgaard, 2018; Ngorora & Mago, 2018). According to Madzivhandila and Musara (2020), entrepreneurship, in whatever form, is critical for

employment creation, particularly in rural and other marginalized places where extreme poverty, unemployment, and economic marginalization are common. New enterprises create new jobs and jobs are a foundation of the economy of any country. Meyer (n.d) argues that a country with high levels of unemployment could experience the prevalence of social ills such as poverty, exclusion, inequality, out migration and instability. A palpable solution to these social problems could be the creation of jobs to support the economy and improve the standard of living. According to Mugobo and Ukpere (2012), promoting micro and small businesses through entrepreneurship development is increasingly seen as a means of generating meaningful and sustainable employment opportunities for the rural people.

According to Bhuvanewari and Raju (2014), most development agencies consider rural entrepreneurship as a huge source of employment. Small and medium-sized enterprises (SMEs) account for 60 to 70 percent of jobs in most OECD countries, with a particularly large share in Italy and Japan and a relatively smaller share in the United States of America (US), while a small number of so-called high-growth SMEs contribute significantly to job creation and productivity growth in the OECD region. More than two-thirds of all new jobs created in the United States, according to Mugobo and Ukpere (2012), are created through entrepreneurial activity linked with small enterprises. In the European Union (EU), there are over 24.5 million small and medium-sized firms (SMEs), accounting for 99.8% of all businesses and employing 66.4% of the workforce (EU, 2020). In Ireland SMEs account for over 99.8% of active enterprises, with micro-enterprises (90.8%) employing fewer than ten people being the majority of firms in the economy (Lekhanya & Visser, 2016). According to Lekhanya and Visser (2016), SMEs are widely labour-intensive, capital-efficient and capable of creating the majority of the one billion new jobs required by the end of the century. Fiseha, Kachere and Oyelana (2019); Hussain (2014) found that small enterprises account for between 91 and 93 percent of total entrepreneurial establishments in countries such as Singapore, Taiwan, Thailand, and South Korea, and contribute over 61 percent to the employment sector in those countries.

Entrepreneurs in developing countries have more chances to exploit economic opportunities, enhancing the potential for entrepreneurship to help reduce unemployment and increase

economic growth (Cassim *et al.*, 2014). In most Latin American countries, more than 60% of the working-age population considers entrepreneurship to be a desirable job (Lekhanya & Visser, 2016). According to a survey from the Asian Pacific Economic Cooperation member countries, over 90% of all firms are SMEs and employ 32 to 84% of the population (Lekhanya & Visser, 2016). According to Lekhanya and Visser (2016), SMEs account for a considerable portion of production and employment in the majority of African countries. Arguably, rural entrepreneurship can create employment opportunities through the creation of firms and small businesses in rural areas thereby improving income levels and standards of living in rural communities. Rural entrepreneurship has a high potential for job creation and can offer a clear solution to the growing problem of unemployment. Entrepreneurs in both developed and developing countries contribute to keep unemployment and poverty low because they start new enterprises, which in turn create employment opportunities for the rural poor.

3.2.2.4 Rural Entrepreneurship and Income Generation

The promotion of rural entrepreneurship as an income generation activity can assist in addressing appalling societal challenges facing rural areas in many countries around the world (Ngorora & Mago, 2016). The topic of income disparities has attracted a great deal of policy attention around the world (Sawada, 2012). Hence, many countries throughout the world are exploring rural entrepreneurship to evaluate how much it can help in tackling the unemployment crisis and alleviating poverty through income generation. Rural areas are economically disadvantaged in comparison to urban areas around the world, and they are characterised by high unemployment, poverty, income inequality, low economic activity, infrastructure and social services (Fiseha *et al.*, 2019). Low income is a unique concern in rural communities. The inability of the rural poor to promote income-generating activities may result in rural income inequalities (Sawada, 2012). Mugobo and Ukpere (2012) argue that rural enterprises not only provide employment opportunities for the rural population, but also sources of income for rural entrepreneurs, which ultimately have a positive effect on the distribution of income. According to Pato (2015), rural enterprises are those that rely on the natural and physical resources of the rural environment as their primary source of income. Alemu and Teklemariam (2016) acknowledge entrepreneurship

and enterprise development as important partners in promoting job creation and equitable income of distribution in the rural areas.

Ngorora and Mago (2016) found that there is a substantial link between rural entrepreneurship and income generation, in which rural entrepreneurship enhances the quality of life in rural communities by creating wealth and jobs. Ihejiamaizu (2019) argues that the establishment of enterprises in rural areas through rural entrepreneurship has a great potential for job creation and income generation for the rural populace. According to Nwankwo and Okeke (2017), every successful entrepreneurial initiative raises the income of an ordinary individual and the standard of living in a society. In both rural and urban locations, households engage in various entrepreneurial activities as primary and income diversifying techniques. Ihejiamaizu (2019) is of the opinion that an entrepreneurial initiative through job creation results in a rise in income and purchasing power, which is then spent on consumer goods. According to the Global Entrepreneurship Monitor (GEM), entrepreneurs generate revenue for their families, allowing them to purchase new commodities that add value and improve the lives of their communities (Ngorora & Mago, 2018). According to Gautam and Mishra (2016), entrepreneurship development plays an important role in generating employment opportunity for rural societies and providing self-employment for those who have started-up their own businesses, ultimately contributing towards income generation and distribution.

Rural entrepreneurship provides additional output, employment, and wealth by capitalising on new opportunities, hence contributing to an increase in rural people's per capita income (Ihejiamaizu, 2019). According to Fiseha *et al.* (2019), entrepreneurship development is the most essential aspect in increasing job and income prospects for the disadvantaged people and areas, as well as safeguarding the provision of basic services and social protection. Families in rural areas are typically very large, and as a result, the entrepreneurial effects benefit the entire extended family as well as the community, which may limit the sector at the micro or small-scale level and prevent it from funding the expansion of the business rather than merely boosting household income (Alemu & Teklemariam, 2016). In other words, rural entrepreneurship can increase income for both individuals starting or involved in an enterprise and their households.

This suggests that entrepreneurial activities in rural areas can create new opportunities for rural entrepreneurs and other members to increase their level of income and capital which could lead to expansion of entrepreneurial activities. Rural entrepreneurship helps to improve per capita income of the rural people through employment and wealth creation by taking advantage of the new opportunities (Kushalakshi & Raghurama, 2014). According to Alemu and Teklemariam (2016), rural entrepreneurship is inextricably tied to rural development efforts in terms of diversifying alternative sources of income for households.

Rural entrepreneurship is considered as a driver for rural development since it creates jobs and generates cash in sectors such as tourism and craft manufacturing (Ngorora & Mago, 2018). According to Dabson (2001), rural enterprises have the ability to raise income levels of the rural populace and their well-being. Subsequently, this helps to alleviate poverty, improve standards of living and reduce the income disparities between rural and urban areas. Poverty, job creation, inequality, and economic growth are examples of rural socioeconomic difficulties that can be addressed by entrepreneurship activity, because entrepreneurship generates income, creates employment possibilities, investment, markets, and innovation (new products and services) (Fiseha *et al.*, 2019). Pato (2015) found that a growing number of rural communities in Europe are seeking additional sources of income by diversifying traditional businesses and emphasizing a variety of entrepreneurial activities such as tourism, cuisine, and crafts. Nagler and Naude (2017) showed that the contribution of rural enterprises to household income increased inconsiderably over time and was expected to generate job opportunities for an estimated 170 million people who were expected to enter the labour market in Africa between 2010 and 2020. Evidently, if successful, rural enterprises and their innovations have the potential to generate and increase income for both the entrepreneur and workers as well as their households. Similarly, entrepreneurial ventures can help create wealth and value through new and improved products, services and/or technology.

3.2.2.5 *Rural Entrepreneurship and Value or Wealth Creation*

Entrepreneurship is defined as the process by which an individual or a group of individuals uses organized efforts and means to pursue opportunities to create value and growth by fulfilling wants and needs through innovation and uniqueness, regardless of the resources currently available (Fiseha *et al.*, 2019). Alemu and Teklemariam (2016) suggest that the entrepreneurship ecosystem is important in both the rural and urban economies because it promotes value creation by identifying business opportunities and mobilizing human, financial, and material resources. Rural entrepreneurship also involves the creation of new value and wealth not only for the entrepreneur but also for the rural place through creative combination of resources from a given environment (Korsgaard *et al.*, 2015). They further argue that these resources are uniquely place-specific and cannot be imitated or replaced in another place, thus provide distinctive opportunities for value creation in a rural area. The concept of rural entrepreneurship, according to Korsgaard and Müller (2015), proposes that it is entrepreneurship and then something more, a ‘value-added’ element that has to do with the socio-spatial category of the rural setting. Venkateswarlu and Ravindra (2015) and Nandanwar (2011) assert that rural entrepreneurship is, in essence, that kind of entrepreneurship which ensures value addition to rural resources through engaging largely rural human resources. In other words, for rural prosperity, rural entrepreneurship should not only establish businesses in rural regions, but also use rural produce as a raw material and employ rural people in their manufacturing processes (Venkateswarlu & Ravindra, 2015; Pal, 2013; Ghosh, 2013). That is, the entire items are made in the rural areas, mostly by the rural people, using accessible local resources, thereby enhancing local economic activities and opportunities.

According to Nwankwo and Okeke (2017), effective entrepreneurial activities promote the creation of wealth for a community, region and that of a country. For many rural communities, entrepreneurship is one of the viable economic development strategies that has a realistic chance of providing jobs and wealth (Figuroa-Armijos, Dabson & Johnson, 2013). Rural entrepreneurship is the type of entrepreneurship that adds value to rural resources while primarily involving rural people in businesses (Lekhanya & Visser, 2016). According to

Figuroa-Armijos (2013), rural entrepreneurship provides unique chances for value generation that is robust, particularly during times of economic difficulties. Markley and Low (2012) are of the opinion that understanding the link between wealth, entrepreneurship and improved rural livelihoods will assist policymakers in focusing on the most suitable entrepreneurship drivers. According to Markley and Low (2012), entrepreneurial activities are associated with better rural livelihoods when the enterprises created allow individuals and families to increase their income and ultimately begin to accumulate assets and create wealth. Ibrahim (2010) views entrepreneurship as an economic process that involves entrepreneurs creating wealth by taking major risks in terms of equity, time, or career commitment, or providing value for the same product or service. Entrepreneurs who take significant risks in terms of equity, time, and career commitment in order to provide value to some products or services define entrepreneurship as the dynamic process of creating incremental wealth (Ihejiamaizu, 2019). Ibrahim (2010) echoes that an entrepreneur is someone who has the ability to create wealth for individuals and the region. Successful entrepreneurs produce returns for their investors, who are frequently family and friends in their rural areas.

Effective entrepreneurial development can trigger a cascade of effects in communities and regions that extend beyond the wealth created by individual entrepreneurs and their businesses (Markley & Low, 2012). As argued by Ihejiamaizu (2019); Ali and Ali (2013), rural entrepreneurship contributes to poverty reduction by creating jobs through the start-up of new enterprises or expansion of existing ones, which in turn increases social wealth by creating new markets, industries, technology, institutional forms, jobs and net increases in productivity and income, resulting in higher living standards for the population. According to Ibrahim (2010), rural entrepreneurship allows people to utilise their talents and energies to create wealth for themselves in society. Pato (2020); Korsgaard *et al.* (2015) emphasise that rural entrepreneurship entails novel combinations of endogenous resources that generate value for both the entrepreneur and the rural community. This type of entrepreneurship clearly creates value not only for the entrepreneur(s), but also for the rural localities (Pato, 2020; Pato & Teixeira, 2018; Korsgaard *et al.*, 2015). Accordingly, rural entrepreneurship development is critical among others for wealth

creation, poverty reduction, job creation, market creation and diversification of the local economy as well as the living standard of rural communities.

3.2.2.6 Rural Entrepreneurship and Migration

Many national and international agendas place entrepreneurship and migration at the top of the list and as a result, policymakers, donors, NGOs and others are interested in the potential effects of migration and entrepreneurship on poverty reduction and development (Naudé, Siegel & Marchand, 2017). According to the Food and Agriculture Organisation (FAO) (2016), there were 244 million international migrants including 150 million migrant workers among them in 2015, a 40% increase since 2000. However, migration of people to other areas in perceived search of a better life is not a new phenomenon. Many of the poor people have perceived migration as one of their survival strategy to improve their standard of living. Many developing countries' rural areas are experiencing the 'brain drain' of young and skilled people because of a lack of or a desire for suitable work prospects in urban areas (Demurger & Xu, 2011; Yu & Artz, 2009). Nwankwo and Okeke (2017) found that rural entrepreneurship, among other things, can assist in reducing rural-urban migration. Adewumi and Keyser (2020) echo that one of the benefits of rural entrepreneurship includes reduced migration of people from rural areas. According to Frazier *et al.* (2012), growing migration of younger people out of rural areas, as well as an aging population, have exacerbated the brain drain of human capital, posing economic challenges for rural communities. Many people and families move from rural areas for various reasons, such as economic and social reasons, because they see no sustainable way out of poverty situations in their own communities.

The rising rate of youth unemployment, as well as the economic and social consequences of rural migration to urban centres in search of employment opportunities, are important indicators that the development agenda has yet to be reflected in rural entrepreneurship development in a country such as Nigeria (Adewumi & Keyser, 2020). Undoubtedly, the need for employment and decent living is at the heart of the influx of the migration to urban areas. Movement of people within and across borders in search of better job opportunities is unavoidable as economies

undergo structural transformation. FAO (2016) found that more than 50% of all rural households in many African countries have at least one internal migrant. According to Adewumi and Keyser (2020), migration from rural to urban areas has continued to impose serious economic and social constraints on Nigeria's major cities. As a result, a drop in or migration of people from rural areas, particularly the educated and literate, may have negative effects for local economic development. Hence, it is critical to build an enabling environment that may provide such individuals with economic prospects that will encourage them to stay in the rural areas. Entrepreneurial activity can assist rural areas in a variety of ways, including retaining or attracting young and educated individuals in the rural areas. As such, developing enterprises in rural areas is seen as a key strategy to prevent rural depopulation (Pato & Teixeira, 2013).

According to Yu and Artz (2009), one way to overcome the lack of job opportunities and out-migration is to create or start new rural businesses. Given the relatively few available job opportunities for young, educated people in the rural areas, entrepreneurial activities can provide a potential alternative that not only benefits the individual, but also the larger community. Entrepreneurs can help rural communities by creating jobs, increasing individual income, and attracting financial, technological, and human resources (Yu & Artz, 2009). According to Frazier *et al.*, (2012), many rural cities see the ability to attract and retain young, intelligent families with higher education as a possible method for promoting economic dynamism and resilience. According to Jayadatta and Syed (2016), rural entrepreneurship plays an essential role in providing economic and job options, which can help to reduce migration to cities. Adewumi and Keyser (2020) laud rural entrepreneurship not only in the context of the creation of employment opportunities and a poverty-reduction agenda but also in the reduction of migration, as it depresses urban migration. Hence, it is critical to build an enabling environment that may provide such persons with economic prospects that will encourage them to stay in rural areas.

3.2.3 Challenges Facing Rural Entrepreneurship in the Global Context

Although rural entrepreneurship plays a very important role in the development of the local economy, there are peculiar challenges that hinder the successes and prospects for

entrepreneurship in rural areas to survive and thrive (Venkateswarlu & Ravindra, 2015). According to Banerjee (2011), entrepreneurship demands an enabling environment to flourish. Venkateswarlu and Ravindra (2015); Gowrishanka, Raja and Prasad (2014); Saxena (2012); Banerjee (2011) state that the major of problems associated with rural entrepreneurship include finance, marketing, management and human resource. Finance, lack of education and limited skills, marketing hurdles, management, social and human resource problems, insufficient technical and conceptual ability, and institutional problems are among the most common challenges facing rural entrepreneurship and small business development around the world (Madzivhandila & Dlamini, 2015; Venkateswarlu & Ravindra, 2015; Patel & Chavda, 2013). These challenges make it difficult for rural entrepreneurs to start businesses and industries in their communities.

3.2.3.1 Financial Challenges

Lack of start-up money, loan facilities, reduced profits as a result of competition pricing of goods and services, and strict tax rules are just a few of the financial obstacles that rural businesses face (Saxena, 2012). In most developing countries, one of the most significant obstacles to rural business is the lack of funds. According to Saxena (2012), a majority of rural entrepreneurs do not have access to external financing due to lack of security and credit facility in the market. In their research, Mugobo and Ukpere (2012) found that credit remains highly problematic for rural entrepreneurship as financing institutions still find it difficult to help rural entrepreneurs due to lack of security. Nandanwar and Jalgaon (2011) agree that less support from financial institutions and lack of financial resources, particularly in obtaining micro credit is one of the major problems facing rural entrepreneurship. As a result, limited access to financial resources and services has a negative impact on the growth and performance of rural businesses. Financial institutions in most African countries are underdeveloped, and access to credit is limited, making shortage of credit one of the continent's major barriers to business growth (Edoho, 2015).

Edoho (2015) argues that because of underdeveloped and inefficient financial markets, rural entrepreneurs tend to resort to internal or personal funds for investment. Rural entrepreneurs

experience difficulties accessing these scarce resources due to among others, lack of information, and appropriate technology. Fatoki and Patswawairi (2012) identified lack of resources and lack of access to finance as some of the barriers to entrepreneurial promotion. Jayadatta (2017) and Venkateswarlu and Ravindra (2015) agree that some of the financial problems faced by rural entrepreneurs are associated with paucity of funds, lack of infrastructural facilities and less risk bearing capacity. Due to the absence of tangible security and credit in the local market, most rural entrepreneurs fail to get external funds. Furthermore, the procedure of getting credit from financial institutions is too time-consuming thereby discouraging rural entrepreneurs (Jayadatta, 2017; Imedashvili, Ivchenko, Kekua, 2013; Sharma *et al.*, 2013).

Venkateswarlu and Ravindra (2015) discovered that many rural entrepreneurs were unable to obtain the necessary support from various financial institutions due to their lengthy procedures. Major sources of finance or funding for rural entrepreneurs are loans from local banks with very exorbitant interest rates, however some government institutions are meant to provide assistance for such purposes. Despite this, a majority of these government institutions have failed to produce the expected results (Vendathadesikan & Pathmanathan, 2016). Other challenges faced by rural entrepreneurs include rural consumers' limited purchasing power, resulting in insufficient sales volume, reduced earnings due to competition, a lack of capital to establish a firm, and pricing of goods and services (Jayadatta, 2017). Because of the decreased purchasing power of most rural residents, rural markets shrink. One of the most significant hurdles to people wishing to start their own enterprises in rural areas, according to Ngorora and Mago (2013), is a lack of adequate start-up funding. Most rural entrepreneurs find it challenging to start businesses because of their financial difficulties. As a result, many rural businesses face difficulties as a result of the scarcity of financial resources in rural areas. Another major issue confronting rural entrepreneurship is management or institutional flaws, which is discussed in the proceeding section.

3.2.3.2 Management Challenges

Rural entrepreneurs face management deficiencies such as lack of knowledge of information technology, legal customs, procurement of raw material, lack of technical knowledge and poor quality of products, goods or services (Jayadatta, 2017; Venkateswarlu & Ravindra, 2014; Patel & Chavda, 2013; Saxena, 2012). Managing an enterprise requires an entrepreneur to have management competencies such as financial control, marketing, production, leadership and record keeping among others. Consequentially, in order to set up and operate a business, entrepreneurs must have such managerial skills. Small business owners in most developing countries struggle to master the art and science of managing their businesses, which has hampered economic growth because they devote less time to learning managerial skills (Eriobunah & Nosakhare, 2013). The majority of entrepreneurs confront difficulties due to a lack of knowledge about business methods, capital management, book-keeping, marketing, and leadership. As a result, it is critical for rural entrepreneurs to have managerial skills and competences in order to run their firms successfully in the rural areas.

3.2.3.3 Marketing Challenges

Lack of marketing orientation and knowledge is considered as one of the major factors for entrepreneurial failure (Eriobunah & Nosakhare, 2013). Another challenge that rural entrepreneurs face in most developing countries is limited access to markets. Their argument is that an entrepreneur without the necessary marketing skills or ideas in business tends to face marketing challenges. Because they lack access to training and experience, most entrepreneurs are unable to advertise their firms due to a lack of competence and understanding. Additionally, rural entrepreneurs are unable to compete with their urban counterparts because of lack of standardization, branding and product quality (Jayadatta, 2017). According to Sharma et al. (2013), rural entrepreneurs face marketing challenges, the most significant of which are standardization and competition from large-scale firms. Identifying customers, executing promotion tactics, understanding the customer, overcoming discouraging opinions, successfully networking, getting business from large corporations, and developing new products and services

are just some of the issues that an entrepreneur faces in marketing (Eriobunah & Nosakhare, 2013).

Rural entrepreneurs are heavily reliant on middlemen for product marketing, who pocket a large portion of the profit (Jayadatta, 2017). Other marketing issues in rural areas include a lack of storage space and a lack of transportation. Clearly, marketing involves a wide range of activities intended at persuading customers to buy a company's products or services. In other words, marketing allows a business owner to interact, communicate, and build relationships with customers while also maintaining relevance, making informed decisions, and increasing sales. As a result, a lack of effective marketing operations can wreak havoc on rural enterprises. Rural entrepreneurs struggle to understand market trends and policies due to a lack of effective communication and access to relevant information.

3.2.3.4 Human Resource Challenges

One of the other challenges faced by rural entrepreneurs is human resource problems (Fiseha & Oyelana, 2019; Mugobo & Ukpere, 2012; Saxena, 2012). Human capital or resource is one of the most important assets that entrepreneurs cannot do without for their businesses to thrive (Lekhanya, 2018). Some of the major problems associated with human resources include low skill levels of workers and negative attitudes in most rural areas (Jayadatta, 2017; Dilip, 2014; Imedashvili, Ivchenko & Kekua, 2013; Saxena, 2012). Most rural entrepreneurs find it extremely difficult to find or attract workers with high-level skills or willing to work in a rural setting. Consequently, rural entrepreneurs are forced to settle for low skilled labour available and provide training to their employees, as they are mostly uneducated (Sharma *et al.*, 2013). Lack of access to highly skilled workers is one of the major problems entrepreneurs' encounters in rural areas. These observations suggest that any business success, in rural or urban settings, depends primarily on the kind of human resource a business has. Many rural workforces have low skills level, lack of skills miscellany, retirement of experts and a structural mismatch between available jobs and people (Dabson, 2001). Ojha (2016) also mentions lack of technical expertise, low skills base, lack of knowledge and self-confidence of the rural populace as some of the problems faced

by rural entrepreneurs including lack of education and limited experience. Generally, there is shortage of highly skilled and educated people residing in rural areas. Such skill deficiencies hamper the success and growth of most enterprises in rural areas. Clearly, access to skilled labour is one of the major constraints facing rural enterprises.

In addition to the problems and challenges mentioned above, government policies on licenses, taxes and duties, information technology, poor infrastructure facilities, unsupportive financial institutions, lack of technical know-how, lack of communication facilities, lack of storage and warehouse facilities are other major problems in the development of entrepreneurship in rural areas (Venkateswarlu & Ravindra, 2015; Bhuvaneshwari & Raju, 2014; Lavanya *et al.*, 2014; Sharma *et al.*, 2013; Banerjee, 2011). These challenges constitute both internal and external factors that inhibit development and growth of entrepreneurship and small business in rural areas. As a result, starting and growing an enterprise remains a challenging activity in the rural areas (Madzivhandila & Dlamini, 2015). Thus, in order to promote entrepreneurship and encourage establishment of new business ventures in rural areas, there is a necessity to understand more about these obstacles and how to overcome them. Lavanya *et al.*, (2014) argue that a critical prerequisite for nurturing entrepreneurship in rural areas is the creation of a favourable business environment. Clearly, rural entrepreneurship faces diverse challenges, which could create an environment not conducive for entrepreneurship in the rural areas to flourish. Entrepreneurs all over the world face general problems, however variations between developing and developed countries exists. As such, there are numerous barriers to entrepreneurship in most developing countries.

3.3 THE ROLE OF LOCAL GOVERNMENT: A GLOBAL PERSPECTIVE

Local government is regarded as a viable tool for economic development and the provision of social services to the public (Majekodunmi, 2012). Local government has emerged as the major instrument for accelerating and sustaining local development in order to address the socioeconomic issues that plague most emerging countries. Local government is critical to basic service delivery and is widely recognized as the driving force behind community development

and growth (Reddy, 2016). Sebola (2015) argues that the local sphere of government remains the core function for the realisation of basic services within any government. The modern local government policy discourse, according to Binza (2005), calls for local governments to be development-oriented and to ensure that development is people-centred. These considerations suggest that local governments should play a substantial developmental role in providing social amenities and services to people at the grassroots level in order to improve their living standards.

3.3.1 Historical Background of Local Economic Development

The issue of catalysing LED planning first arose in Europe and quickly expanded to other industrialized countries (Rogerson, 2015). LED has been interpreted by developed countries as a generic instrument of the development strategy at the lowest level of government that contributes to the national development goals. The beginnings of modern LED techniques, according to Rogerson (2015), may be traced back to the 1960s. LED programmes and projects began in the cities of the industrialised countries, which saw major transformation during the post-war period (Blakely, 1989). Due to global economic changes and technological progress, several of the historic industries that were the main sources of employment and revenue in these cities have declined (Wekwete, 2014). To illustrate this point, in Europe, industries such as textile, shipbuilding, steelmaking, and other traditional heavy industries where the cities were founded have been shifted to other countries around the world, resulting in a flood of deteriorating and devastated cities in other countries (Wekwete, 2014). This economic problem arose in the United States when global capital flows no longer helped the country as they used to, but instead had a detrimental influence on the local economy as factories relocated, resulting in unemployment and economically depressed regions and cities (Blakely, 2009). As a result, it is obvious that there has always been a striking link between the notion of LED and the difficulties encountered by states, such as rising unemployment, poverty and economic deterioration, which have impacted not just the developing world, but even Western Europe, North America and Japan that have been badly impacted (Birkhölzer, 2005).

Although the LED interest began in Western Europe and North America, LED ideas and practices expanded from the global north to the global south, especially in the 1990s (Rogerson, 2015, Rodriguez-Pose & Tijmstra, 2009; Nel & Rogerson, 2005). In the years ever since, recognition of the LED approach has grown in tandem with the increasing number of socially and economically marginalized people around the world, particularly in places like eastern Germany, which has been dealing with economic change that has resulted in more economic and social problems (Birkhölzer, 2005). LED has been a common development strategy at both the local and community levels in the northern countries in the recent years. Pressure to encourage LED has come from at least two sources: the continuing of unequal and unfair economic outcomes, as well as concerns over a lack of local investment in specific regions (Rogerson, 2015). The first political response to LED thus concentrated on retaining existing investments and attracting new ones by site marketing and investment attraction as well as implementing incentive systems such as grants, tax incentives, or loans, and a major contribution of hard and soft infrastructure (Wekwete, 2014). According to Tassonyi (2005), the traditional LED approach, mostly implemented from the 1950s to the 1980s, was characterised by an attempt to target different companies by placing value on cheap factory services or subsidized infrastructure and relying on the authorities' direct grants or tax relief granted by the respective tax jurisdiction.

Another component in the global LED arena has been the emphasis on systemic competitiveness, which enables a sustainable local trading environment, fosters networking and collaboration between enterprises, as well as public and private collaborations, while also encouraging the formation of clusters and the enhancement of living standards in local areas (Wekwete, 2014). According to Heron (2009), literature on LED is divided into two major theoretical streams, the neoclassical and Keynesian tradition, which reigned from the 1950s to the 1970s, and the school of political economy, which has dominated since the 1980s. This comment demonstrates how the establishment and promotion of the LED method was affected by solely commercial or economic-political issues at some point. As a result of this influence, the evolution of the LED as an alternative development method has been related to more comprehensive development theories and literature such as neoclassicism or Keynesianism, neoliberalism, globalization, post-development, and bottom-up approaches, as well as decentralisation (Akudugu, 2013). LED and

national economic development (NED) theory are well-established topics taught in the majority of the developed-country universities (Tello, 2010). The modern LED does not have its own theory, but its techniques and explanations are based on traditional development theory and debates.

LED is generally characterized in the economic literature and from the perspective of the industrialized economy as changes that affect the local economy's potential to thrive, create jobs, and create new wealth for local citizens (Tello, 2010). According to Akudugu (2013), LED is founded on such a wide range of theories because of its relatively long implementation in developed nations and the methodologies originally offered in the multidisciplinary faculties of economics, regional development, planning and political economy of development. Because of these overarching theories, LED may be comprehended to a large extent (Akudugu, 2013). Internationally, several sorts of LED techniques have been applied, which match closely to the LED's mixed theoretical legacy. The first is the urban efficiency method, which was utilized in cities in the United States in the 1980s and is characterized by municipal investment in infrastructure and service delivery to boost productivity and lower the cost of living. Second, the entrepreneurial and sectoral approach of Italian industrial areas and Silicon Valley, which is concerned with supporting the local economy in leading sectors and the progressive community-based approach, which is defined by strategies involving collaboration between low-income community members and their organizations. Finally, there is the radical redistributive and socialist perspective, which is concerned with interventionist measures of equal wealth distribution, as used in Liverpool (DPLG, 2001).

Because of globalisation, local economic development (LED) has emerged as one of the most important planning approaches for developing local economies (Rogerson, 2015). LED initiatives have become increasingly important in international development as globalisation has progressed. However, it is widely assumed that LED use began in developed-world cities in the late 1960s and early 1970s, in the context of global economic restructuring and decentralisation, as well as the failure of traditional approaches, slow economic growth and poverty, and structural adjustment programmes (Agbevade, 2018; Rogerson, 2015; Rogerson & Rogerson, 2010;

Rodrigues-Pose & Tijmstra, 2005). LED initiatives in such nations, according to Rodrigues-Pose & Tijmstra (2005), were aimed at tackling socio-economic difficulties that arose as a result of persistent locality-specific development problems. Thus, LED in the developing world emerged as an alternative development strategy for addressing persistent socio-economic problems such as unemployment, poverty, slow economic growth and regional inequalities, and was aggravated by other factors such as debt crisis, imposed structural adjustments, sovereignty or currency devaluation, natural and political shocks (Dyosi, 2016; Rodrigues-Pose & Tijmstra, 2005). Though the LED ideology originated in the developed world, LED found its prevalence into the developing countries as a response to these developmental challenges. A majority of developing countries are characterised by appalling socio-economic development problems.

In Latin America, LED practices and implementation of regional policies can be traced back to the early 1960's (Tello, 2010). Most countries in Latin America have persistently encouraged LED strategies to curb their developmental problems. In Brazil, for instance, as the largest economy in Latin America, LED strategies have been remarkably surging over the past few decades (Barberia & Biderman, 2010). In the African region such as Sub-Saharan Africa, LED literature and practice is relatively scant because LED as an alternative approach to development is a recent phenomenon compared to the developed world and therefore less attention was given to it in the local governance system (Agbevade, 2018; Oduro-Ofori, 2016; Rodrigues-Pose & Tijmstra, 2005). Furthermore, in Sub-Saharan Africa, LED experiences have mostly concentrated on the social part of LED to the exclusion of the economic dimension, resulting in local development rather than true local economic development initiatives (Rodrigues-Pose & Tijmstra, 2005). Globalisation, decentralisation, and urbanisation are all factors that have contributed to the emergence of LED in many emerging countries.

Globalisation, urbanisation and decentralisation gave birth to the territory-based approaches to local development, thereby taking LED to the forefront (PLATFORMA, 2015). According to Rogerson (2015) and Rogerson and Rogerson (2010), globalisation played a significant role in the reconfiguration of planning approaches towards local and regional development. Globalisation's developmental issues prompted a major reassessment of the validity of previous

approaches to development planning, resulting in the rise and strengthening of LED, particularly in developing countries (Rogerson & Rogerson, 2010). Because of cross-border trade and contacts, globalisation is a process that involves the interconnection of global economies, governments, cultures, and populations. According to Dyosi (2016), the effects of globalisation and the increased inability of many national governments to play significant developmental role at local levels necessitated the urgent need for localised strategies in the developing countries.

Other reasons why globalisation gave rise to the significance of LED in developing countries is the new context of economic development and strategies of global firms and their choice of locations to establish new businesses or migrate the existing ones across the nations (PLATFORMA, 2015). Thus, the impact of globalisation played an important role in the emergence of local economic initiatives in most developing countries. Globalisation is believed to have played a fundamental role in international development and facilitated socio-economic transformation, thereby improving the standard of living for a majority of people including those in the developing countries. Rapid urbanisation is another factor that contributed to the prominence of LED in developing countries. Although it is the least urbanised continent, Africa is at the heart of a rapid demographic transition, which is in the process of taking her from predominantly rural to predominantly urban (PLATFORMA, 2015). Urbanisation in these countries is associated with socio-economic transformations (reforms) and globalisation processes.

Another reason that attracted most developing countries to the LED approach was their pursuit of decentralisation and their responsibility to encourage economic development at the local government level (Dyosi, 2016). After independence, most African countries were characterised by centralised macroeconomic and sectoral management of policies, which led to significant inequalities and glaring inefficiencies in the provision of services (PLATFORMA, 2015). Thus, because of centralised policies, implementation obstacles, and a lack of institutional coordination, LED has eluded the majority of African countries and failed to fulfil the intended objectives (Agbevade, 2018; Wunsch, 2014). As a result, a paradigm shifts from top-down to bottom-up approaches to local development was required, with the goal of reducing reliance on

central government and donor finances by mobilizing local resources to implement LED projects (Masuku, Jili & Selepe, 2016). Decentralisation emerged as a technique to overcome issues in policy creation and implementation, as well as to enhance local democracy and participatory development in underdeveloped nations, because of such inefficiencies. Though decentralization improved development in certain ways, it did not produce the anticipated results due to an over-emphasis on political, social, and administrative development at the expense of economic decentralization. (Agbevade, 2018). Such failures prompted the emergence and significance of LED as an alternative strategy or approach to local development in developing countries across the world.

3.3.2 Role of Local Government in LED

Majekodunmi (2012) purported that local government can create an enabling and conducive environment for the people at the local level. This is because local government is regarded as the level of government that is closest to the people at the local level and strategically placed to discharge the developmental role bestowed upon them by the law (Majekodunmi, 2012; Visser, 2010). Similarly, Sebola (2015) defined local government as the branch of government closest to its constituents, providing a wide range of services that have a significant impact on the lives of those who reside under its jurisdiction. Local government, on the other hand, is viewed as an essential arm of government that plays an important role in governance and administration at the local level. Local governments around the world have been given a defined developmental mandate as a result of national policy modifications and devolution of authority (Nel, 2005). According to Maleka (2002), local development has changed from being a national government-only policy area to becoming a top priority for local governments, all sectors, and the population at large. The new external frames that communities around the world must manage their economic situation within are rising poverty, inequalities, unemployment, which restricted access to essential services, urbanisation, globalisation, technology advancements, and a more competitive environment. (Koma, 2013). On the other hand, local government is regarded as a significant part of government that is crucial to local administration and governance. It is vital to conceptualize local government in order to understand its function.

Government policy revisions and devolution of authority have clearly ascribed a developmental mandate to municipal governments around the world (Nel, 2005). Local governments have clearly recognized the potential role they may play in strengthening their communities' economic prosperity (Rogerson & Rogerson, 2010). Meyer (2014); Triegaardt (2007) however caution that local government is not responsible for creating jobs, but instead it is responsible for creating an enabling environment for economic development. Meyer (2014) further states that the overarching role of local government in development is to provide an enabling environment for all its residents and businesses to prosper through LED strategic plan, which has a balanced approach between pro-poor growth and pro-growth. To put it another way, local governments should seek out and develop new possibilities that will help such areas to improve their economic prospects. Local governments can play a critical catalytic role as initiators and drivers of effective LED processes by encouraging participation, creating decent jobs, and empowering women, youth, and vulnerable groups economically (Commonwealth Local Government Forum (CLGF), 2019). As a result, local governments should adopt policies and programmes to promote LED in their jurisdictions. Local government also functions as a regulator, which has grown in significance as more private businesses are being established. When competing interests are present, only one body with supreme authority can control how others behave and uphold the common good, which is a crucial role in terms of economic development that belongs most naturally to the local government (VNG International, 2007). Local governments are viewed as coordinators, facilitators, and stimulators of the local economy; planning authorities in the mobilisation of communities to participate in LED; collection of economic data; identification and marketing of new economic opportunities; creation of an enabling environment for local businesses; and provision of service delivery (CLGF, 2019).

Local governments in Uganda have been mandated by various policy documents since 2006 to play a role in wealth creation and increasing citizens' income levels, in addition to their basic service delivery functions enshrined in the Local Governments Act of 1997 (World Bank, 2016). In the recent years, the government of Uganda added LED as an additional mandate for local government to fulfil. The LED approach, which is based on collaborations between local government, civil society, central government and the private sector, can help local governments

to play a more developmental role (CLGF, 2019). LED also allows stakeholders to take part in identifying development challenges, developing strategies to address them, and putting them into action, and facilitating ownership of development processes. As a result, local governments have understood that they are just one of the many parties involved in LED.

3.3.3 Local Government Challenges Associated with LED

Local governments around the world, particularly in developing countries, are becoming increasingly crucial in providing essential fundamental services to the local people (UN-HABITAT, 2015). In most nations, local governments are responsible for providing basic services such as water, power, waste removal, sanitation, and land use regulation, as well as other social services like education and health care (Chigwata & Visser, 2018; Sikander, 2015). Nowadays, local governments are at the heart of service delivery and development in most developing countries, particularly in the provision of services such as water, healthcare, sanitation, and electricity. Despite their unquestionable importance, local governments in most developing countries are still unable to perform and discharge their roles and functions as anticipated by citizens (Majekodunmi, 2017). This predicament is experienced because local governments in these countries are faced with huge challenges. Local governments continue to face enormous challenges, particularly those in the developing countries.

Because of various problems, local governments are unable to fulfil their developmental mandate. Some of the challenges confronting local governments in planning for development are associated with institutional deficiencies, lack of capacity or well-trained personnel, lack of finance, corruption, service delivery backlogs, absence of autonomy, political interference and poor or lack of civil society participation (Majekodunmi, 2017; Beyers, 2016; Akhakpe, Fatile & Igbokwe-Ibeto, 2012; Ugoh & Ukpere, 2009). There are numerous challenges faced by local government that hinder effective service provision, particularly in developing countries. Poor or lack of delivery of services or development in most cases is associated with the critical problems that local governments face. Abdullahi and Chikaji (2017) stated lack of autonomy, financial issues, poor leadership, unskilled workers, corruption, administrative inefficiencies, lack of

provision of basic services, poor staffing, over interference, inter-governmental conflicts, lack of equipment and revenue generation problems as daunting challenges in most local governments in Nigeria. Seddiky (2019), Boris (2015) and Adeyemo (2005) identified lack of a skilled workforce, lack of finance, lack of institutional capacity, corruption, lack of coordination, political instability, lack of integration, inadequate revenue, lack of technical knowledge and attitudes of staff as key challenges and obstacles facing local government planning for service delivery in developing countries such as Bangladesh. Failure of towns to provide basic services creates not only great suffering for inhabitants, but it can also have a negative impact on social and economic growth and development of communities (IDASA, 2010).

3.3.3.1 Lack of Capacity and Skills

Local governments are failing to fulfil their developmental mandate if they are unable to perform their responsibilities or discharge their functions as envisaged (Majekodunmi, 2017). Low capacity of local governments in most developing countries to provide basic services to local people is one of the most significant issues they face. Ugoh and Ukpere (2009) argues that a majority of local governments have the workforce which does not possess the requisite skills such as leadership and managerial acumen to deliver services to the people. Kanyane (2014) believes that the effectiveness of good local governance should be measured by the ability of local governments to provide an integrated developmental approach to social and economic development issues, as well as essential services that meet the needs and wants of local communities. In such regard, incapacity of local governments, municipalities in particular, is widespread in such a way that impede adequate delivery of basic services in many developing countries (Kanyane, 2014). Municipal capacity is defined as a municipality's ability to carry out the necessary functions of governance and service provision in a responsible and sustainable manner while adhering to democratic governance norms (Boshoff, 2011).

Furthermore, Koma (2010) views capacity as the availability of and access to tangible resources such as human, financial, material or technological and intangible resources coupled with commitment, leadership and knowledge to implement policies and delivery of public services.

Local governments in developing countries seem to lack the capacity to provide essential services to the local communities. Tshishonga (2019) insists that poor delivery of services is the consequence of limited capacity and poorly trained personnel in most local governments, particularly in developing countries. Indeed, underdevelopment in most developing countries is associated with lack of sufficient capacity at the local government level. A fundamental constraint and one of the most critical issues facing local government is the lack of sufficient skills and experience (Boshoff, 2011). Hence, local governments cannot provide sustainable services if they have limited capacity and skills required to provide such services effectively.

3.3.3.2 *Financial Constraints*

Lack of finance remains one of the daunting challenges for most local governments in the developing world. Many local governments in developing countries face financial or funding crisis with which to meet the basic needs of citizens. In Nigeria, for example, despite constitutional protections and federal government funding guarantees, local government money remains a phantom (Abdullahi & Chikaji, 2017). Seddiky (2019) states that financial ability is the prime condition to carry out the responsibility of the local government regarding essential service delivery at the grassroots. According to Abdullahi and Chikaji (2017), local governments in Nigeria are known to suffer from inadequate and poor budgetary allocation especially because of the deliberate cut-offs of budgetary allocations by some States Governors either for political reasons or absolute corruption. Consequently, this makes it difficult if not impossible for local governments to perform and discharge their constitutional duties and responsibilities thereby impeding better delivery of services to local communities.

According to Boris (2015), for local government to provide essential services effectively at the grassroots level, financial resources must be available to undertake the assigned responsibilities. Local governments, according to Chigwata and Visser (2018), should have access to funds proportionate with their duties. Shortage of funds to the local government creates an obstacle in providing better social services of the local council (Seddiky, 2019). Boris (2015) highlighted that allocation of inadequate financial resources hindered effective performance of local governments in Nigeria. Indeed, limited financial resources adversely constraints any local

government around the world to discharge its abilities to provide effective and efficient services to local communities. Accordingly, most local governments in developing countries are in financial distress due to, *inter alia*, persistent service delivery backlogs and higher demands for services.

3.3.3.3 Corruption and Fraud

Corruption continues to be a significant impediment to political and economic growth in many parts of the world, particularly in Africa (Kanyane, 2014; Mbaku, 2008). In developing countries, corruption is seen as one of the most serious issues in the planning of local government service delivery. Corruption, financial irregularities, and maladministration characterize most municipal governments in poor countries. Majekodunmi (2017) asserts that ineffective service delivery is associated with corruption in the local government system and local governments have become vineyards of corruption in countries such as Nigeria. Kanyane (2014) is of the opinion that corruption erodes the opportunities for wealth creation and severely limits and hampers the government's ability to deal effectively with societal problems faced by ordinary citizens. Additionally, Reddy (2016) maintains that corruption and fraud lead to, among others, negative audit opinions and delays in the provision of services due to financial irregularities. Corrupt activities within the local government system only enriches elite government officials, politicians and their business associates or acquaintances.

Corruption in municipal governments includes direct falsification of financial transactions, inflated contracts, the presence of ghost workers, and collusion with the government machinery that are supposed to perform supervisory responsibilities (Abdullahi & Chikaji, 2017). Seddiky (2019) argues that there is more space for corruption at the local level due to the profane nexus between the politicians and bureaucrats and more facultative power of the local officials to create unscrupulous liaison with local lobby groups in their long stay at the local level than national level bureaucrats. Instead of being channelled towards service delivery and overall improvement of local communities, scarce resources are diverted for personal use by corrupt officials. Masuku and Jili (2019) point out that the problem of corruption is still at the forefront of progress, and it

will take more work to eradicate it in order to better people's lives. Corruption has become one of the most significant roadblocks to successful service delivery planning at the local government level. Thus, local governments have since become synonymous to or fertile ground for corruption, which is now deeply entrenched into the local governance system in most developing countries.

3.3.3.4 Political Interference

Another challenge of local government service delivery is the undue interference of the federal government in the affairs of local government, which impedes effective service delivery (Seddiky, 2019; Boris, 2015). Undue political interference by the State or higher levels of government has been identified as one of the critical factors that result in the inefficiency and ineffectiveness of local governments in Nigeria (Majekodunmi, 2017; Salaam, 2016; Boris, 2015). Political interference in the affairs of local governments has contributed to poor service delivery to the local people. Local government officials use their political influence to subvert procedures. Such influences or interference leads to instability and ineffective local government systems. According to Salaam (2016) and Boris (2015), there is a high degree of external influence and interference in local government affairs by the higher levels of government, particularly the state governments. Undue political interference not only incapacitates local government from functioning effectively and efficiently, but also alienates the local people from better service delivery as expected (Masuku & Jili, 2019; Boris, 2015; Agba, Akwara, & Idu, 2013; Zarenda, 2013).

Makanyeza, Kwandayi and Ikobe (2013) see interference as one of the causes of poor service delivery in local councils. Service delivery backlogs or lack thereof at local government includes water and sanitation, electricity, housing and waste removal. Masuku and Jili (2019) argue that such poor service delivery at the local government level is associated with politicisation of the administrative functions in municipalities, consequently leading to transgression of governance. Thus, the administrative authority of local government must be free of political interference to allow equitable distribution of basic public services to all citizens and not only to the elite with

partisan interests. Masuku and Jili (2019); Maserumule (2007) noted that political interference in local government is caused by the lack of a good relationship between the elected and appointed officials and their endeavours to provide services to the citizens. The political interference adversely affects effective and efficient administration and governance of local governments in most developing world. However, Reddy (2016) believes that politicians can positively play a role in local government processes if they are committed to organisational solutions and promote the institutionalisation of constitutional values and principles. These acts of political interference or influence may also lead to the absence or lack of autonomy, consequently affecting the independence and stability of local government.

3.3.3.5 *Lack of Autonomy*

Subsequent to political interference is subverted autonomy and independence of local government. The term autonomy simply means freedom, independence, and absence of external or remote control (Abdullahi & Chikaji, 2017). Chigwata and Visser (2018) defined local autonomy as the extent to which local governments have discretion in carrying out their duties and obligations. However, Chigwata and Visser (2018) further emphasised that local autonomy does not connote freedom to make decisions as the leaders want, but rather refers to a certain measure of discretion to make laws, adopt policies and take decisions within a framework of national or regional laws, subject to national or regional supervision. Ugoh and Ukpere (2009); Salaam (2016) identified the absence or lack of autonomy as another constraint for local government service delivery planning and assumes that ineffectiveness and inefficiency of local governments on service delivery are due to their lack of autonomy. Local governments in Nigeria, for example, lack the desired and essential financial autonomy to effectively manage their financial resources (Majekodunmi, 2017; Salaam, 2016; Boris, 2015). True autonomy can ensure that local governments are responsive to residents' needs and improved service delivery.

Most of local governments around the world are independent, thus should be accorded the autonomy so that they can discharge their functions and perform their roles and responsibilities with diligence. However, for instances, local governments in Nigeria are still seen as an

appendage of the central government and have not been able to extricate themselves from the apron string of state government (Abdullahi & Chikaji, 2017). Majekodunmi (2017) highlighted that local governments in Nigeria, for instance, are still not able to perform their roles and discharge their functions as expected without assistance from central government due to their limited autonomy. Without a doubt, overstepping in local government affairs by the central government or upper-level institutions threatens the autonomy of local government. In countries such as Zimbabwe and Nigeria, autonomy is granted to local governments by the constitution to facilitate development and strengthen local democracy (Chigwata & Visser, 2018). However, the operations of local governments are greatly impacted by the actions of national governments, coupled with unfavourable relationships, insufficient funding, and a significant concentration of people who lack skills and education, which lead these institutions to become increasingly ineffective and inefficient (Abdullahi & Chikaji, 2017). Local governments in developing countries need adequate and real autonomy in order to discharge their constitutional functions effectively and efficiently without fear, favour or prejudice.

3.4 CONCLUSION

The chapter provided a review of literature on rural entrepreneurship and LED from an international context. The chapter was two-fold, the first part focused on conceptual clarification and understanding the concept of rural entrepreneurship, while the second part provided conceptualisations of LED. From these discussions, local development, socially or economically, on the basis of rural entrepreneurship, seeks to achieve optimal utilisation of local resources while developing and maintaining social networks (collaborations) among different actors. Rural entrepreneurship is seen as a mechanism to empower and create capacity to improve economic conditions, create employment opportunities and improve quality of life for all in rural areas. While entrepreneurship research in general, has been extensive, rural entrepreneurship literature is still scant. Though there are a plethora of challenges and constraints, rural enterprises are important stimulators of economic growth and creators of employment opportunities in rural areas. These challenges include low skills level/base, limited access to finance, marketing hurdles, lack of information and technical knowhow. Thus, in order to ensure efficiency and

effectiveness of local government in developing countries, cognisance of these numerous challenges should be taken into account and be addressed accordingly.

On the other hand, LED is one of the least understood concepts despite the fact that the concept is an extensively researched topic. There are different connotations on what LED really means. However, one common consensus about LED is that it aims to build the economic capacity thereby improving the economic base and quality of people's lives in a particular local area through partnerships among the public, private and non-governmental organisations. Stakeholders must work collectively with the local community in order to achieve better living conditions in a particular local area. Local government has a significant role to play in this regard to ensure that it becomes a reality rather than a thought. Local government is regarded as the primary role player for accelerating social and economic development of rural areas in developing countries by creating an enabling environment for all stakeholders including local businesses. This includes encouraging and promoting rural entrepreneurship and ensuring these enterprises flourish and thrive in order to improve the economy of local communities within the jurisdiction of the local government. The next chapter focuses on rural entrepreneurship and LED from the South African context.

CHAPTER 4: RURAL ENTREPRENEURSHIP AND LOCAL ECONOMIC DEVELOPMENT IN A SOUTH AFRICAN CONTEXT

4.1 INTRODUCTION

In the recent years, international bodies such as the World Bank (WB), the Organization for Economic Cooperation and Development (OECD), and national governments, including the South African government, have embraced LED in their policies and strategies as a locality-based response to the challenges of globalization, devolution, local level opportunities and crises (Mago & Hofisi, n.d). One of the initiatives is to promote entrepreneurship in both urban and rural areas. The government of South Africa recognized the importance of rural entrepreneurship in achieving national, economic, and social objectives and pledged to support it (Rautenbach, 2009; Murphy, Liao & Welsch, 2006). Government development policies should not just focus on macro-solutions, but also on the micro-actions of businesses, in order to combat poverty. The goal of this chapter is to discuss rural entrepreneurship and LED in South Africa. Thus, the chapter looks at rural entrepreneurship in South Africa, issues faced by rural entrepreneurs, and policy framework and initiatives for rural entrepreneurship in South Africa. Furthermore, the chapter discusses the nature of LED in South Africa, with an emphasis on the historical context, legislative framework, local government's role, LED difficulties, and the current state of local government.

4.2 ENTREPRENEURSHIP IN SOUTH AFRICA

Entrepreneurship is vital to economic growth, poverty reduction, job creation and economic inclusion in any form (Madzivhandila & Musara, 2020). Entrepreneurship is critically significant to the social and economic development of South Africa and the well-being of its citizenry. Entrepreneurs develop new, competitive markets and enterprises through innovation, which leads to employment creation and a multiplier effect on the economy. Entrepreneurship empowers citizens and is necessary for any emerging market to progress and integrate successfully into the global economy. As a result, the government and policymakers have acknowledged and

recognized this contribution in order to promote South Africa as an enterprising nation that encourages and recognizes entrepreneurship (Endeavour, 2010). Despite the fact that entrepreneurship is widely recognized for its importance and improvement, South Africa's entrepreneurial activity remains low and falls behind other international and emerging countries such as India and Brazil (Lekhanya & Visser, 2016). However, the Endeavour SA (2011) argues that entrepreneurship is not yet recognised for the impact, growth, and possibilities it can offer the South African economy, or for the impact it can have on unemployment and other social ills in the country. This section helps to understand South Africa's entrepreneurial environment and policy framework, particularly in rural areas.

4.2.1 South Africa's Entrepreneurship Ecosystem

Entrepreneurship has been seen as one of the important instruments for fighting the scourge of poverty currently ravaging poor communities in South Africa. However, it is worth noting that the entrepreneurship development endeavours are mainly concentrated in urban areas (Madzivhandila & Musara, 2020). The country faces a wide range of economic, political and social challenges particularly in the rural communities. Despite having one of the strongest economies on the African continent, the country's unemployment and poverty remain serious challenges for the majority of inhabitants (Cassim, Soni & Karodia, 2014). According to the Organisation for Economic Co-operation and Development's (OECD, 2017) Economic Outlook Survey, South Africa's unemployment rate increased to 27 percent from 25 percent due to economic slowdown, whereas income disparities between the rich and the poor remain wide, with youth unemployment at 53 percent (Francke & Alexander, 2019). In 2015, approximately 3.6 million young individuals (between 35 and 37 percent) were unemployed and actively seeking work, a figure that rose to 5.2 million in the first quarter of 2016 (Manyaka-Boshielo, 2017). As a result of these circumstances, the government has made entrepreneurship and small company promotion a priority as one of the country's core development policy areas (Cassim *et al.*, 2014). Since then, the government has taken a variety of steps to encourage entrepreneurship in the country in order to drastically reduce poverty and unemployment (Fiseha & Oyelana, 2019).

Cassim *et al.* (2014) suggests that the current socio-economic challenges facing most communities in the country require robust economic transformation and emancipation. As a result, entrepreneurial activity is seen as a vital tool for economic development due to job creation, innovation, and the welfare effect it has, leading to an increase in national policy interest in entrepreneurship promotion (Herrington, Kew & Kew, 2009). Despite this recognition, South Africa's entrepreneurial rate is low in comparison to other emerging countries, which might be increased with government policies backed by financial and non-financial support (Francke & Alexander, 2019). Herrington *et al.* (2009) reported that there are over 2.4 million registered companies in the country, 2.2 million of which are small and medium enterprises (SMEs). However, Fiseha and Oyelana (2019) argue that most of the small businesses in the country fail at the early stage or short period of operation. Additionally, according to Herrington *et al.* (2009), South Africa had early-stage entrepreneurial rate of 7.8% in 2008, which is significantly lower compared to the average of 13% for middle to low-income countries. This low entrepreneurial early-stage rate indicates that the country lags behind in comparison with other developing countries. As a result, compared to other developing countries, entrepreneurial activity in South Africa has gradually reduced over time. South Africa's low early-stage entrepreneurial rate, according to Herrington *et al.* (2009), is due to a number of issues, including a lack of entrepreneurial education, access to capital, a tough regulatory environment, and a lack of entrepreneurship culture.

Despite some good signals of economic growth attributable to entrepreneurship, Agbenyegah (2013) stated that the absence of an entrepreneurial spirit among South Africans is increasing. As a result of the low ratings of government programmes in 2014, South Africa's entrepreneurial environment shrank (Crampton, 2016). In 2015, the total entrepreneurial activity (TEA) rate for South Africa was the lowest at 9.2% compared to some sub-Saharan African countries like Zambia, Nigeria and Botswana with 41%, 35% and 28% respectively (Manyaka-Boshielo, 2017; Ayankoya, 2016; Global Entrepreneurship Monitor (GEM), 2012). The average TEA rate for efficiency-driven economies such as South Africa is 14.1% (Agbenyegah, 2013; GEM, 2011). The average TEA rate therefore suggests that the South Africa's entrepreneurial activity is very poor compared to other developing countries despite efforts by government to stimulate

entrepreneurship (Agbenyegah, 2013). However, according to Herrington and Kew (2018), the GEM 2017/2018 report highlighted that South Africa's TEA rate has increased substantially by 59.4% from 6.9% in 2016 to 11% in 2017. Furthermore, over 75% of all the early-stage entrepreneurs in the country in 2017 were opportunity-driven which is higher than in other countries in Africa (Herrington & Kew, 2018). This observation was encouraging as it indicated that more South Africans are starting businesses after identifying an opportunity rather than doing so out of absolute necessity. Brand South Africa (2017) reported that more than half of the South Africans who run their own businesses are mainly youth, while 47% of the overall entrepreneurs are female, which shows the narrowing gap between male and female entrepreneurs.

The higher the country's TEA rate, the more entrepreneurial a country is. This assumption suggests that South Africa is less entrepreneurial as compared to other developing countries in sub-Saharan Africa. Thus, the current entrepreneurship development in the country is very poor compared to some developing countries. Despite this revelation, it is important to remember that the TEA rating is not a real measure of a country's entrepreneurial quality (Agbenyegah, 2013). In the country, entrepreneurship is seen to be efficiency-driven if it is at least somewhat competitive, is backed by some degree of industrialization, and has a big capital base (Ayankoya, 2016; GEM, 2012). According to Ayankoya (2016), a South Africa with a higher TEA rate and expanding economic activity would create more job possibilities, enhance family livelihoods, and address many social issues, all of which would boost the country's global competitiveness. South Africa's inability to fulfil the rising demand for jobs is attributable to a continuing lack of entrepreneurial culture across the country, as well as the informal economy's inability to expand as planned to generate employment possibilities (Agbenyegah, 2013). Despite some of the most important obstacles to entrepreneurship growth, tremendous progress has been made (Agbenyegah, 2013; GEM, 2011). Thus, regardless of the multiple efforts by the national government to stimulate entrepreneurship, the study above paints a grim image of South Africa having the lowest entrepreneurship rate and early-stage entrepreneurial activity among developing countries. As a result, the government still has a long way to go in terms of

promoting entrepreneurship as a key engine of economic growth and job creation, particularly in the rural areas.

4.2.2 Rural Entrepreneurship in South Africa

Over three billion people reside in rural areas worldwide, with developing countries accounting for nearly all of the world's rural population (Ngorora & Mago, 2016; International Labour Organisation (ILO), 2008). Historically, South Africa's rural areas were marked by extraordinarily high levels of poverty and unemployment, along with very little agricultural employment, which was largely a reflection of the economic arrangements formed by colonialism and apartheid. The apartheid system, which was created in 1948, sought to push a large portion of the black people into rural reserves known as 'homelands' or 'Bantustans' by the state, which created a dual land system. Following the democratic transition in 1994, the fundamental task for rural development was to reduce the marginalisation of the rural poor. To date, the majority of rural communities in the country remain impoverished and there is minimal development activity in these places. Despite South Africa's remarkable economic growth since independence in 1994, the economic divide between rural and urban areas continues to be a major source of worry, maintains Mugobo and Ukpere (2012). Furthermore, many rural populations in South Africa continue to live in deplorable conditions, with most small and medium companies (SMEs) operating in most rural and underdeveloped areas, comprising an important part of the local economy and a key source of employment (Lekhanya & Visser, 2016; Meccheri & Pelloni, 2006). According to Fiseha, Kachere and Oyelana (2019), more than 70% of South Africa's impoverished people live in rural areas. It is important to note that, these rural areas in the country are extremely varied according to social and economic structure, geography and culture (Phungwayo & Mogashoa, 2014).

The high level of poverty in these rural areas is associated with slow economic growth and high unemployment rates. Thus, entrepreneurship has increasingly outperformed other economic development initiatives due to its proclivity to foster growth from within, which optimises local resources and creates successful rural firms. In 2017, the country's unemployment rate was

nearly 28% (27.7%), with youngsters accounting for more than half (52%) of the total jobless rate and an economy that is unable to produce enough job opportunities (Fiseha *et al.*, 2019; Stats South Africa, 2017). This is one of the highest compared to other African or Sub-Saharan African countries, whereas the country's Gross Domestic Product (GDP) is higher than many other African or Sub-Saharan African countries (Gamede & Uleanya, 2018). Poverty, unemployment, and inequalities are rife in the country, all of which have a negative impact on rural areas' growth. Thus, it is believed that rural entrepreneurship can be an important vehicle to allow the rural populace in South Africa to improve their well-being and standard of living, which continues to face persistent malicious poverty levels and stagnant economic growth. Without any doubt, rural entrepreneurs' stand out to significantly improve the communities in which they live. Rural entrepreneurship is regarded as an alternative form of an activity that can help in the achievement of local development goals and objectives (Ngorora & Mago, 2016; Dubais, 2016).

According to Ngorora and Mago (2016), rural entrepreneurs create new economic and employment opportunities, improve livelihoods and create value for the rural populace thereby improving their overall well-being. Rural entrepreneurship, according to Mugobo and Ukpere (2012), is a powerful engine for rural economic growth, which is especially important in South Africa and other developing nations where the bulk of the population still lives in the impoverished rural areas. Ngorora and Mago (2018); Boohene and Agyapong (2017) believe that rural entrepreneurship can be used as a development approach for the impoverished rural areas in developing countries like South Africa. Clearly, encouraging rural entrepreneurship is an essential method for improving rural people's quality of life by creating new job opportunities. Since then, the South African government has recognized the importance of rural entrepreneurship in accomplishing national, economic, and social goals, and it is dedicated to supporting rural entrepreneurship in order to achieve these goals (Ngorora & Mago, 2018; Rautenbach, 2009; Murphy *et al.*, 2006). All of this can be accomplished through rural entrepreneurs' ability to discover local possibilities and tap into the available local resources in the rural areas in a creative and inventive manner. Entrepreneurship, as a solution, may be a challenging vehicle to drive in a rural location where people confront additional obstacles of

poverty and a lack of skills. However, nothing is impossible when one has a truly entrepreneurial mindset. Notwithstanding the importance of rural entrepreneurship, its prospects in South Africa must be further investigated (Ngorora & Mago, 2018).

4.2.3 Entrepreneurial Challenges in Rural South Africa

While more effort from both the government and private sector has been put in motion to create a more conducive ecosystem for entrepreneurs to thrive, unfortunately, many entrepreneurs in rural areas remain challenged by a plethora of barriers and obstacles. Kirabira (2015) identified limited access to financing and lack of sufficient funding (both for start-ups and expanding enterprises), low skills base of rural areas, lack of facilities or infrastructure, excessive regulations and formalities, market-related and human resource issues as key constraints in the development and growth of rural enterprises. Mugobo and Ukpere (2012) found that access to finance, lack of technical skills, remoteness and poor infrastructure, lack of exposure, competition, small and fragmented markets, and unavailability of business premises as main challenges and constraints facing rural entrepreneurs in the Western Cape Province. Fiseha and Oyelana (2019) also found that rural entrepreneurs in the Eastern Cape faced numerous challenges such as lack of finance, poor market access, inadequate infrastructure, inflation, lack of skill labour and insecurity. According to Madzivhandila and Musara (2020), limited access to finance, inadequate skills, limited access to markets, lack of infrastructure and lack of access to information, advice and business services subdue the growth of rural entrepreneurship. These challenges inhibit the efforts of rural entrepreneurs and their enterprises to thrive and flourish, thereby affecting the growth of local economies.

4.2.3.1 Lack of Access to Finance

Lack of access to finance and funding remain the major factor and frustration for the majority of rural entrepreneurs. Access to finance is one of the key important issues in the South African entrepreneurship ecosystem. The Banking Association South Africa (2018) argues that access to finance remains a definite challenge particularly for new enterprises in the country. According to

Chimucheka and Rungani (2013); Fatoki and Garwe (2010); Herrington *et al.* (2009); Cassar (2004), lack of access to finance is one of the most contributors associated with low new enterprise creation and their demise, making it the major constraint to the growth and success of enterprises in the country. Debeila (2018); Mutezo (2005); Naude and Havenga (2004); Nieuwenhuizen and Groenewald (2004) all agree that most entrepreneurs struggle with accessing finance from banks and other financial institutions in South Africa. According to Chimucheka and Rungani (2013), only 2% of new enterprises are able to access bank loans in South Africa, while over 75% of applications for bank credit by new enterprises are rejected. Without a doubt, inaccessibility of finance is a major hindrance for entrepreneurial growth and development in the country.

Lack of access to finance by entrepreneurs is associated with various factors. According to Chimucheka and Rungani (2013); Mutezo (2005); Naude and Havenga (2004), excessive red tape, administrative burden and exhaustive labour laws are some of the issues hampering access to finance making South Africa a hostile environment for entrepreneurs. Other contributing factors include lack of readily available credit information, the perceived riskiness, criteria used, their bureaucracy and lack of knowledge or understanding (Chimucheka & Rungani, 2013). The Banking Association South Africa (2018) stated that the entrepreneurs struggle to access finance from banks and financial institutions because of their unviable business proposals, lack of financial management knowledge and discipline, and seeking the wrong type of funding, particularly start-ups and smaller businesses. Banks and financial institutions are cautious to give financing for new projects and current small businesses due to the aforementioned issues. Clearly, without access to funding, entrepreneurs struggle to survive and thrive, hampering the country's entrepreneurial growth and development. As a result, enhancing entrepreneur access to capital can help South Africa's entrepreneurial performance (Mutezo, 2005).

4.2.3.2 *Lack of Skills or Capacity*

Most rural areas in the country are characterised by high proportions of unskilled labour, making it difficult for rural entrepreneurship growth and development. Skills constitute the most important resource for those individuals aspiring to start and run an enterprise. Mugobo and

Ukpere (2012) found that shortage of skills is another major challenge facing rural entrepreneurs in the Western Cape, South Africa. Fiseha and Oyelana (2019); Sarpong (2012); Agupusi (2007) identified lack of skills as a common problem for rural entrepreneurs in the Eastern Cape, South Africa. Lack of skills in a particular rural area makes it difficult for enterprises to employ skilled labour, ultimately inhibiting their growth. Agbenyegah (2018) is of the opinion that entrepreneurial activities and businesses in South Africa are constrained by lack of skills such as technical, managerial and business skills. Potential entrepreneurs lack the basic skills required to run and operate a business, such as management skills and financial knowledge. This is according to a 2017 research report by the Department of Planning, Monitoring and Evaluation (DPME) on the limited success of entrepreneurial activity by locals in townships and rural areas (DPME, 2017).

According to the survey, some entrepreneurs even establish businesses in industries where they have no knowledge or experience, resulting in the failure of their businesses (DPME, 2017). Lekhanya and Visser (2016) maintain that the performance of enterprises is characterised by lack of managerial skills. Agbenyegah (2013) argues that the reasons for the country's poor entrepreneurial performance was due to lack of skills training. The inability of enterprises to find suitable employees in specialist sectors suppresses entrepreneurship and growth (DPME, 2017). As alluded in the previous chapter, this suggests that an entrepreneur should possess a set of skills such as managerial, leadership, technical, financial, networking, innovation and risk-taking to be able to run and operate an enterprise effectively and efficiently. Thus, lack of skills can constitute a serious hindrance for entrepreneurs to run their businesses successfully and putting their dreams into action in the rural areas of South Africa.

4.2.3.3 *Limited Access to Markets*

Access to markets is another most frequently mentioned factor and greatest challenge holding back rural entrepreneurs. Most of these entrepreneurs do not have access to markets because large and well-established firms dominate the entrepreneurial space. Most rural entrepreneurs find access to markets as one of the greatest challenges to their entrepreneurial growth

(Masumbe, 2018; Malebana & Swanepoel, 2015; Delalić, 2014). Ngorora and Mago (2018) argues that the growth of rural firms is limited by a wide range of factors, including poor access to markets. Fiseha and Oyelana (2019) also stated lack of markets among the barriers to entrepreneurship growth and development in rural areas in South Africa. It widely emphasised that entrepreneurs, particularly in rural areas, are unable to succeed in their ventures because more often there is no market for their business. This makes lack of access to markets one of the barriers to South Africa's attempt to promote and encourage entrepreneurship development. A 2017 research report acknowledged lack of access to markets as one of the factors affecting enterprise development in South Africa (DPME, 2017). The report also acknowledged access to market (local, regional and global) as crucial to enterprise growth and development in the country.

Mugobo and Ukpere (2012) found that lack of access to markets in the Western Cape is further exacerbated by the fact that the rural market is largely small and fragmented. According to Mugobo and Ukpere (2012), the rural market still lacks the necessary demand and purchasing power to sustain rural enterprises, and that the markets are widely dispersed. According to Lebambo and Shambare (2020), most entrepreneurs find it difficult to enter new markets in South Africa. They also contend that, despite more than two decades of political transformation, many black entrepreneurs in South Africa, the bulk of whom are located in rural areas, continue to face economic isolation. Inability to access markets stifles new business formation and jeopardizes the long-term viability of current businesses (DPME, 2017).

4.2.3.4 Government Regulations

Deakins, Bensemman and Battisti (2016); McElwee and Smith (2012) identified regulations as one of the barriers to entrepreneurship and expansion of rural enterprises. Rural entrepreneurs face multifaceted and wide range of regulatory requirements and burdens from government or local authorities. The legislation and regulations often are associated with the failure of most SMMEs in South Africa (DPME, 2017). According to Lekhanya and Visser (2016), strict government policies affect the expansion and growth of rural businesses in Kwa-Zulu Natal. For instance, restrictive labour regulations in South Africa are considered the key factor constraining

entrepreneurial development, especially businesses that rely on labour force (Herrington & Kew, 2016). Regulations play a crucial role in creating enabling environment conducive for starting and maintaining a business.

4.2.3.5 Lack of Infrastructure

For the promotion and expansion of rural entrepreneurship, infrastructure such as roads, electricity, water and sanitation, telecommunications, and company premises are critical. Investments in infrastructure, according to Makhathini and Mpanza (2020), encourage economic growth and development. In the Eastern Cape Province, Fiseha and Oyelana (2019) discovered that a lack of infrastructure makes entrepreneurship difficult to flourish, and that entrepreneurs work in locations with limited access to essential amenities such as water, electricity, roads, and communications. One of the entrepreneurial challenges facing the small company sector in South Africa, according to Agbenyegah (2013), is a lack of basic infrastructure. The majority of towns in the country are recognized for having limited access to infrastructure, which entrepreneurs can use to expand their businesses. Mugobo and Ukpere (2012) also found that poor infrastructure such as poor road networks, unreliable telecommunication and postal services are among the major constraints for rural entrepreneurs in the Western Cape Province. According to Lebambo (2019), challenges such as lack of infrastructure undermine business prospects and viability in rural areas. Rural areas are under persistent threats of severe shortages of basic infrastructure, which is a setback for rural entrepreneurship (Agbenyegah & Dlamini, 2018; Werlen, 2007; Diochon, 2003). Thus, lack of adequate and appropriate infrastructure can inhibit entrepreneurial activities in the rural areas. Rural areas need proper infrastructure in place to initiate rural entrepreneurial activities.

4.2.3.6 Lack of Access to Information

A lack of information is one of the most significant hurdles to the creation and expansion of rural entrepreneurship in rural areas (Fiseha & Oyelana, 2019). Furthermore, a lack of access to entrepreneurial support, as well as sufficient information and comprehension of essential

entrepreneurial remedies, exacerbates the problem (Masumbe, 2018). Mugobo and Ukpere (2012) discovered that rural entrepreneurs in the Western Cape Province have limited access to information. Rural entrepreneurs should have access to information on various types of business support and services. According to Lekhanya and Visser (2016), rural businesses in South Africa have limited access to relevant market data. Limited access to information is also one of the factors that limit the success rate of many SMMEs in the country, according to a 2017 research report by the Department of Planning, Monitoring, and Evaluation (DPME) (DPME, 2017). Most rural entrepreneurs have difficulties in accessing to information on available support services, regulatory requirements and economic opportunities, which contributes towards low growth and development of rural enterprises.

4.2.4 Policies and Strategies Supporting Entrepreneurship in South Africa

The new South African government administration has recognized the importance of entrepreneurship development by providing an enabling environment for the creation and growth of small businesses, particularly for historically disadvantaged populations, since the dawn of the democratic dispensation (Anwana & Anwana, 2020; Cassim, Soni & Karodia, 2014). South Africa has just over 2 million small companies, according to Anwana & Anwana (2020), although the bulk of these entrepreneurs work in the informal economy. Entrepreneurship development is critical for the country's entrepreneurial rate to improve. The advantages of having a higher entrepreneurial rate in the country include the creation of new business initiatives, which can lead to job creation, enhanced economic growth, reduced poverty levels and improved income levels and overall community development.

Since then, the government has recognized the critical role that business development and expansion, particularly small and micro firms, may play in this respect. As a result, the government bears a significant duty for creating an enabling economic environment in which aspiring and experienced entrepreneurs can start and grow their firms without facing obstacles (Herrington & Kew, 2018). To assure the construction of such a favourable environment, the government has put in place a number of policies and strategies to stimulate the development and

expansion of entrepreneurship in the country. Some of these policies are designed expressly to encourage entrepreneurship in the country. The democratic government's endeavour to create communities included strategies and policies to assist and stimulate the development of enterprises. Since the birth of democracy, a number of government policies and methods have been implemented to assist and stimulate the development and expansion of entrepreneurship and small businesses.

4.2.4.1 White Paper on National Strategy for the Development and Promotion of Small Businesses

In 1995, the government released a White Paper on the National Strategy for the Development and Promotion of Small Businesses in South Africa. The White Paper was written in response to a pressing need to address the country's long history of hurdles to small-business development, and it was based on the premise that the country has a huge number of potential entrepreneurs (Ladzani, 2010). The White Paper discusses the regulatory environment, access to markets, finance, and affordable business premises, as well as the acquisition of skills and managerial expertise, access to appropriate technology, the tax burden, and access to quality business infrastructure in poor areas or poverty nodes. As a result, the government's efforts were aimed at addressing the issues that SMMEs face, such as a lack of effective supportive government institutions. The White Paper lays out a national strategy for supporting and expanding small enterprises, and it identifies SMMEs as a crucial vehicle for tackling the country's job and underemployment issues, as well as economic growth and inequality. Furthermore, the White Paper advocates for the creation of a development support system for small businesses, which involves enabling laws, institution transformation, and leveraging financial and other types of assistance.

4.2.4.2 National Small Enterprise Act 102 of 1996

The White Paper on National Strategy for the Development and Promotion of Small Businesses anticipated and laid the way for the National Small Enterprise Act, formerly known as the

National Small Business Act, to be enacted in 1996. The Act divides businesses into four categories: small, medium, very small and micro or survivalist. The principal goal of this Act was to establish the Advisory Body and the Small Enterprise Development Agency (SEDA), as well as to give instructions for governmental organs in order to promote small business in the country. The Act also laid the groundwork for the creation of new institutions and reformed or altered existing ones to help small companies across the country. Small Enterprise Finance Agency (SEFA), Centre for Small Business Promotion, Ntsika Enterprise Promotion Agency (later SEDA), and Khula Enterprise Finance Limited were among the organizations involved. These organizations were created to help small businesses with both financial and non-financial requirements.

4.2.4.3 The Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises

The Department of Trade and Industry's (DTI) most recent and key policy declaration, the Integrated Strategy for the Promotion of Entrepreneurship and Small Business (ISPESE), was accepted by Cabinet in 2005 (Anwana & Anwana, 2020; DTI, 2007). As a primary government goal, the policy recognizes the importance of promoting entrepreneurship and small enterprises. The strategy's goal was to ensure that the overall task of fostering entrepreneurship and promoting small businesses, as articulated in various government policies and strategies, is carried out adequately and effectively across all policy and action areas, with high levels of performance and success (DTI, 2007). Providing financial and non-financial support, increasing demand for SMME products and services, and removing regulatory hurdles are the three pillars of the plan (Anwana & Anwana, 2020; DPME & Department of Small Business Development (DSBD), 2018; DTI, 2007). The approach was also designed to address the issues that South African SMMEs face (DPME & DSBD, 2018). The approach aims to create an enabling environment for entrepreneurs by removing regulatory barriers that small businesses and entrepreneurs face (Cassim *et al.*, 2014; DTI, 2007).

4.2.4.4 Youth Enterprise Development Strategy

The Youth Enterprise Development Strategy was launched by the Department of Trade and Industry in 2013 to promote youth self-employment and youth-owned and controlled companies (DTI, 2013). Poor youth engagement in the economy, which is connected to a continuously high unemployment rate and a lack of entrepreneurial activity among the youth, is recognized as a complicated challenge facing South Africa. As a result, one of the plan's long-term objectives is to create job opportunities for the country's youth (DTI, 2013). The National Youth Commission, SA Youth Council and Umsobomvu Youth Fund (2006) proposed that the Youth Enterprise Strategy be established to ensure that entrepreneurial and technical skills, talents and experiences are nurtured among the youth to enhance their capacity to participate in all aspects of the South African social, economic and community life; ensuring that the youth are recognised as a key target group of need and a resource in the development of small businesses at all levels of the economy; and maximizing access the youth have to the financial and non-financial resources they require. This strategy recognises the promotion of youth entrepreneurship as a significant strategy to foster youth economic participation, innovation and growth of youth-owned and managed enterprises in the country (DTI, 2013).

4.2.4.5 Broad-Based Black Economic Empowerment Act 53 of 2003

The exclusion of much of South Africa's black majority from full involvement in the economy is one of apartheid's legacies. The government's Broad-Based Black Economic Empowerment (B-BBEE) plan is a response to systematic disparities and black people's exclusion from the formal economy. The B-BBEE Act aims to accelerate economic transformation and increase black people's economic involvement in the economy, as well as providing a legal framework for supporting B-BBEE in the country (DTI, 2003). This law was enacted to encourage formerly disadvantaged black people to participate and be empowered in the country's various economic sectors. The B-BBEE policy aimed to encourage economic participation and equality in order to foster the growth and development of black entrepreneurship and small companies. Although B-

BBEE remains a key consideration in South Africa, it however remains controversial among policy makers, business, critics, authors and investors.

4.3 LOCAL ECONOMIC DEVELOPMENT IN SOUTH AFRICA

While apartheid had a specific regional planning policy marked by tight central government control, which inhibited the establishment of LED initiatives in towns and cities and led to the decline of local autonomy across the country, in South Africa, LED was predominantly a post-1994 phenomena (Kamara, 2017). Under the 1994 administration, the introduction of LED as a new phenomenon for local government entities in the country was unavoidable. Since 1994, the South African government has vigorously pushed LED as one of the key development strategies in an effort to achieve post-apartheid socio-economic restitution and encourage local economic growth via local government organizations, specifically known as local municipalities (Nel & Rogerson, 2015). Local governments around the country employ LED as a significant tool or approach to assist and encourage the growth and development of local communities within their jurisdiction. LED is seen as a critical component in building robust and inclusive local economies that take advantage of local opportunities, meet local needs, and contribute to national development goals like economic growth and poverty reduction (DPLG, 2005; Moyo, n.d). For both socioeconomic redress and economic growth, LED is one of the most significant constitutional tasks for local government (Nel & Rogerson, 2015). Local governments, especially municipalities, are mandated to promote LED in the regions under their jurisdiction (Heideman, 2011). Despite its pursuit of LED, the country continues to suffer societal (socio-economic) difficulties including poverty, unemployment, inequalities, and stagnant economic growth twenty-eight years after its democratic founding. Thus, in South Africa, LED was inspired by these heinous and malicious situations, as well as the urge to rectify the apartheid legacy.

4.3.1 Evolution of Local Economic Development in South Africa

In Sub-Saharan Africa, South Africa is considered as a pioneer and leader in the field of local economic development (LED) planning. Since 1994, LED's work has evolved from a one-time

local development intervention focused primarily on cities to a constitutionally mandated duty for all local governments across the country (Nel & Rogerson, 2005, 2007). Following the election of a new democratic administration, the new South African government became more active in LED, which was supported by a number of policy frameworks and statutory requirements, and it became a major national priority. South Africa's history of colonialism and apartheid necessitated a distinctive approach to economic development, as well as the need for inclusive economic growth to broaden participation in the mainstream economy, necessitating strategic responses from local governments (South African Cities Network, 2019). In some nations, LED is an optional local government activity, while in South Africa, it is a constitutional requirement (Meyer-Stamer, 2006). LED is closely linked to South Africa's transition to developmental local government, which includes economic development obligations as required in the country's constitution (Sekhampu, 2010; Meyer-Stamer, 2006). Due to its close ties to the goals of community development and socio-economic reparation, which were recognized in the first post-apartheid national development strategy, the Reconstruction and Development Programme (RDP), LED has become a distinguishing feature of the post-apartheid state (Nel & Rogerson, 2015). Previously, LED was supposed to be part of a social policy and affirmative action agenda to rectify historical inequity (Meyer-Stamer, 2006). In South Africa, the evolution of LED and its ability to adjust to societal changes was considered as a significant factor (Linake, n.d). The South African Cities Network (2019) summarises the history or evolution of LED in South Africa into six phases, as depicted in Table 4.1 below.

Table 4.1: Six Phases of LED in South Africa

<p>Pre-1994 (apartheid)</p>	<ul style="list-style-type: none"> • The approach was government-planned industrial decentralisation and LED initiatives, as part of the social engineering and economic boosterism of the apartheid state. • From the 1980s, programmes were introduced to attract industries, promote place marketing, and develop infrastructure, tourism and land. However, by the early 1990s, many of the decentralised, planned places (e.g., Botshabelo, Mdantsane) were failing, with plants closing and jobs being lost.
<p>1994–2002</p>	<ul style="list-style-type: none"> • The new Constitution of 1996 came into force and included the principle of developmental local government, reinforcing the importance of economic planning at the local level. • Two opposing approaches to LED developed a city-based (or pro-market) approach and a community-based approach. As donors started channelling their funding through government, the community-based approach lost momentum. Community groups argued in favour of pro-poor approach to LED. • Government introduced the LED Fund in 1998 that was aimed at projects with a pro-poor, poverty-relief focus. Projects had limited success because they were poorly planned and designed, seldom considered the value chains, were mostly implemented by the public sector and often did not include appropriate technical support. • Some of the large cities implemented inner-city renewal programmes and large tourism investments, such as waterfront developments and convention centres, which were in many cases driven by public-private partnerships.
<p>2003–2011</p>	<ul style="list-style-type: none"> • Having discontinued the LED Fund in 2002, government developed a new LED policy for South Africa, the National LED Framework 2006–2011, which was: • A five-year strategic framework aimed at supporting the development of sustainable local economies through integrated government action. • A guide to LED that proposed a strategic implementation approach that government and communities could use to improve LED, and suggested actions for implementing LED Key Performance Indicators.
<p>Post-2011</p>	<ul style="list-style-type: none"> • A review of the 2006–2011 LED Framework took into consideration the state of the economy and of local government, the existing national economic frameworks and national contemporary LED issues and identified LED challenges and opportunities. • Challenges included: the lack of a shared conceptual understanding of LED, poor intergovernmental relations on LED, sectoral plans not integrated as part of LED planning and implementation, limited funding and financing for municipal-led LED programmes, the lack of a differential approach to LED implementation, and skills deficit and general human resources issues.

2016	<ul style="list-style-type: none"> • Cabinet adopted South Africa’s national urban policy, the IUDF, which promotes a differentiated approach to cities and towns. • The IUDF recognises the specific problems associated with intermediate cities in South Africa, including dependence on a single economic sector, poor urban management, inadequate maintenance of municipal infrastructure, and weak relations between the municipality and external role-players. • The IUDF specifically calls for a national LED strategy and for economic development to be central to the municipal agenda.
2018	<ul style="list-style-type: none"> • The Ministry of Cooperative Governance and Traditional Affairs (COGTA) published a draft National Framework for Local Economic Development: Creating Innovation- driven Local Economies 2018–2028 (COGTA, 2018) that takes forward the policy proclamations. • Its aim is to “provide strategic guidance to LED agents and actors and their activities in order to achieve innovative, competitive, sustainable, inclusive local economies that maximise local opportunities, address local needs, and contribute to national and provincial development objectives”.

Source: South African Cities Network (2019: 13)

LED adoption and practice in the country was driven by legal requirements, the socio-economic situation and the inequalities caused by the apartheid policies (Department of Provincial and Local Government (DPLG); 2006-2011). These predicaments necessitated the need for transformation and promotion of a policy that advocated commitment to economic development of localities particularly at local government level (Linake, n.d). Despite clear mandate for local government promote and implement LED, it is still a challenge because some municipalities lack the understanding of LED, which has resulted in the failure to plan and implement LED (Masuku *et al.*, 2016; Meyer, 2014). Nel and Rogerson (2015) argue that LED in the country has become more of a local government function and less as a strategy grounded on principles of partnership and engagement with the private sector.

LED in South Africa is seen as an approach towards economic development by allowing and encouraging local people to work collectively with local authorities and other stakeholders in order to achieve increased economic growth and development thereby improving the overall quality of life of all people in a particular municipal area. The rationale for LED in the country is guided by the following principles (DPLG, 2006):

- Government has a decisive and unapologetic role to play in shaping our country's economic destiny through a developmental approach;
- It is the responsibility of local government to create an environment in which the overall economic and social conditions of the locality are conducive to the creation of employment opportunities;
- LED is the result of actions and interventions resulting from local good governance and the continuous improvement and enhancement of the local economy;
- Only if the potential and competitive advantages of each location are known and leveraged can inward investment from the public or private sector be effective;
- Promoting strong and inclusive local economies necessitates active, coordinated work from all levels and sectors of government, with a focus on applying and localizing the concepts stated in the National Spatial Development Perspective (NSDP);
- Appropriate local solutions and policies must arise to support national frameworks in both rural and urban local environments, and should encourage sustainable development and human settlements;
- South Africa competes in a global economy that is becoming increasingly integrated, with challenges to be mitigated and opportunities to be taken advantage of;
- Private businesses, such as social enterprises and cooperatives, are at the heart of the economy, and they play a critical role in forming relationships with public and community actors that will lead to more vibrant and inclusive local economies;
- People are the most valuable resource, and involving all citizens in development and improving their abilities leads to more potential for local economies to be stimulated;
- Local initiative, enthusiasm, creativity, strong leadership, and skills will, in the end, unlock the latent potential of local economies and change local spaces.

Many of South Africa's development and unemployment challenges remain unsolved 28 years after the country's democratic transition, despite the pursuit of a variety of development interventions (including LED) and the country's generally modest to high economic growth levels until the impact of the 2008-09 financial crisis (Johnson, 2015). There are significant evidence that social and spatial imbalances continue, and that efforts to promote national

economic growth have benefited the country's neglected regions only marginally. The difficulties of socioeconomic development in the country are most apparent in the country's most marginalized and undeveloped regions. The space economy of South Africa shows a pattern of uneven development, with the most pronounced disparities between the prosperity of the country's metropolitan areas and much of the Western Cape on the one hand, and the country's 'distressed' areas on the other hand. In this setting, spatial interventions, such as LED, are becoming more prominent as important aspects of the development landscape. The National Development Plan (NDP) and the National Growth Path, the two primary national development plans, both expressly highlight the importance of geographical targeting, while a number of other interventions are being launched or garnering renewed support. These include rural development projects, special economic zones, targeted aid for inner cities and underprivileged neighbourhoods, infrastructure development, and assistance to small businesses, cooperatives, and the informal sector.

For much of South Africa's democracy, LED has been sought in the above framework, with varying degrees of success. The concept of growing local governance was initially described in 1998, and LED was established on it. LED is thus a clearly defined mission that local governments must pursue in order to improve the economic and social well-being of their communities. LED has become more of a local government function than a strategy centred on principles of cooperation and engagement with the private sector, with the possible exception of limited involvement in larger cities (Nel & Rogerson, 2005). Throughout the preceding few decades, most municipal governments have attempted to implement LED policies, with varying degrees of success and commitment. While South Africa is considered as a global pioneer in terms of LED policy and strategy development, it is difficult to argue that the outcomes have made a major effect in all local populations (Nel, Binns & Bek, 2009). There is a common opinion in South Africa that LED has underperformed and that new ideas are needed to rejuvenate the LED landscape.

4.3.2 Local Planning and Legislative Framework for LED in South Africa

Local government, particularly local municipalities, play a vital role in promoting local economic growth and improving the living standards of the communities under their jurisdiction in South Africa. This obligation has been imposed by a number of policies and regulatory regimes (Maloka, Mashamaite & Ledwaba, 2014). Several major pieces of legislation have created the legislative and policy environment for LED in South Africa (Nel & Rogerson, 2015). Under apartheid, South Africa had its own regional planning policy, which was marked by tight central government supervision, stifling the establishment of LED initiatives in towns and cities and eroding the local autonomy (Kamara, 2017). Because of the new dispensation and transition to developmental local government, a set of overarching and linked legislative and policy issues for LED across the country were required (Mashamaite, 2013).

Local governments in the country are now mandated to promote social and economic growth as well as improve the overall living circumstances of all communities through various laws and policy frameworks. These include the South African Constitution, the Local Government: Transition Act, the White Paper on Local Government, the Local Government: Municipal Structures Act 117 of 1998, the Local Government: Municipal Systems Act 32 of 2000, the Local Government: Municipal Finance Management Act 53 of 2003, the 2005 Policy Guidelines for Implementing Local Economic Development, and the 2006 LED Framework for Stimulating and Sustainable Development. These are by no means the only legal and regulatory frameworks to consider, but they do present a broad picture of policies and legislations related to social and economic growth (Meyer & Venter, 2013). The following sections dissect the legislative and policy underpinnings for LED.

4.3.2.1 The Constitution of the Republic of South Africa (1996)

The *Constitution of the Republic of South Africa* (1996) forms the foundation for socio-economic development and provides for developmental model local government (Meyer & Venter, 2013). In other words, the Constitution requires local government in the country to be developmental

both in nature and approach. Local governments must promote social and economic development, as well as structure and manage their administration, budgeting, and planning processes to prioritise the community's basic needs and promote the social and economic development of all communities in terms of Sections 152 (c) and 153 (a) of the Constitution of the Republic of South Africa of 1996. Furthermore, the Constitution defines 'developmental local government', meaning that the country's LED objective is not optional or even a local government initiative, but rather a basic obligation for local government (Kamara, 2017; Hofisi, Mbeba, Maredza & Choga, 2013). This clause states that local governments in the country are responsible not just for providing services, but also for promoting social and economic progress and raising the standard of living in all communities. According to Koma (2014), this means that local government is seen as critical to achieving the growth and development goals outlined in new development frameworks such as the National Development Plan (2012), the New Growth Path (2010), the National Spatial Development Perspective (2006), and other provincial growth and development strategies.

4.3.2.2 *White Paper on Local Government (1998)*

The 1998 White Paper on Local Government enhances the constitutional mandate for local government by officially introducing the concept of 'developmental local government'. Developmental local government is described as "local government committed to interacting with citizens and groups within the community to identify sustainable solutions to satisfy their social, economic, and material needs, and to improve the quality of their lives". The White Paper also lists the characteristics of developmental local government as maximizing social and economic growth, integrating and coordinating, democratizing development, empowering and redistributing, and leading and learning. The White Paper also identifies the expected outcomes of local government development. Among the major benefits are the development of housing infrastructure and services, the creation of habitable, interconnected cities, towns, and rural areas, local economic growth, and community empowerment and redistribution.

Furthermore, the White Paper states that it is the responsibility of the private sector to create jobs, and that the function of local government, particularly municipalities, is to create an enabling environment for businesses to thrive (Triegaardt, 2007). The White Paper, according to Mathebula (2016), was enacted to guarantee that local governments have a clear legislative mandate on what and how they should do their business in order to be developmental. The concept of developmental local government arose from the amalgamation of the Reconstruction and Development Programme's (RDP) social interventionist goals and the Growth Employment and Redistribution Policy's (GEAR) market-oriented economic strategies, the two most important post-apartheid national policies to combat economic growth and the combating of poverty (Kamara, 2017). The Local Governance: Municipal Systems Act 32 of 2000 contains the statutory principles for developing local government (Meyer & Venter, 2013).

4.3.2.3 Local Government: Municipal Systems Act 32 of 2000

According to the *Local Government: Municipal Systems Act 32 of 2000*, a municipality has executive authority to formulate and enact policies, plans, strategies, and programs, including setting delivery targets, as well as encourage and undertake development within its territory. The Act is the most major piece of law requiring and mandating integrated development planning for local governments. The Act, as modified, requires a municipal council to adopt a single, comprehensive, and strategic plan, known as an integrated development plan (IDP), for the municipality's social and economic development within a specified time after the municipal council's elected term begins (Koma, 2014). To do this, the Act requires a municipality to engage in developmentally oriented planning in order to ensure that local government objectives are met and that its developmental responsibilities are carried out as outlined in the Constitution. The IDP is the ultimate outcome of this process, which is known as integrated development planning. The municipal IDP, according to the Act, is the primary strategic planning tool that directs and informs all planning and development, as well as all decisions related to planning, administration, and development in the municipality.

An IDP must represent the municipality's long-term development strategy, with an emphasis on the municipality's most significant development and internal transformation needs, according to Section 26 of the Municipal Systems Act. The IDP should also establish and express development priorities, objectives, and strategies, as well as its LED goals and needs, all of which must be aligned with any national or provincial sectoral plans. The integrated planning approach has aided municipalities in implementing LED at the local government level (Meyer & Venter, 2013; Rogerson, 2009). According to Mahlalela (2014), this Act is crucial for LED since it provides guidance on how towns can efficiently implement LED processes and programmes. The Act aims to provide important ideas, methods, and processes to aid municipalities in ensuring the social and economic well-being of local communities.

4.3.2.4 National Framework for LED in South Africa (2006-2011)

The South African National Framework for LED intends to provide municipalities with a strategic framework for better understanding and applying LED in order to improve local economic development (DPLG, 2006). The framework's objective, according to DPLG (2006), was to understand changing approaches to LED and how such approaches might connect with South African practice, rather than to make policy statements on LED. The framework outlines LED's objectives, guiding principles, and outcomes, which include assisting local economies in realizing their full potential and making local communities active participants in the country's economy; waging the national fight against poverty more effectively through local level debates, strategies, and actions; improving community access to economic initiatives, support programs, and information; and improving e-government coordination (Mahlalela, 2014). The national LED framework document acts as a road map for the country's LED implementation.

The framework also emphasizes the importance of towns' role in establishing enabling environments through infrastructure and service provision, rather than seeking to create jobs on their own (Meyer & Venter, 2013). According to Koma (2014), the framework also provides an overarching context within which different LED stakeholders' duties and obligations can be placed. According to Du Plooy (2017), a developmental approach includes local government

structures playing a decisive and unapologetic role in shaping the economic destiny of their localities and the country, as well as creating an environment in which the overall economic and social conditions of the locality are conducive to the creation of employment opportunities. Mahlalela (2014) argued that the objectives of the framework directly speak to LED and poverty alleviation in which one cannot say whether LED favours pro-growth over pro-poor or otherwise. Overall, the main aim of the framework was to build a common understanding of LED in South Africa and embrace the role of local economies in the national economy with emphasis on poverty alleviation and improvement of communities at local level.

However, as the 2006-2011 framework came to an end, reassessment and the preparation of a new framework received a lot of attention in the 2012-2013 period. The review process, according to Ndaba (2012), began in late 2010 and ended in July 2012 with the issuance of a Draft Local Economic Development Framework for the period 2012-2017. However, a year later, a second document dubbed the 2013-2018 National Framework for Local Economic Development was released. The second document is now South Africa's most recent policy declaration on LED. Two significant arguments supported the case for revisiting the 2006 LED paradigm. First, the political, economic, and social context in which LED policy operated was continuously changing, and with new policy developments affecting LED, the framework policy itself was continually in need of revision (Ndaba, 2012). Second, despite its acknowledged successes, the 2006 framework was found to have flaws in its implementation (CoGTA, 2012). CoGTA (2012) identified the following aspects as some of LED's flaws from 2006 to 2011:

- That the role and relevance of the private sector in LED had been overstated.
- The role of CoGTA (then DPLG) had been ill-defined in the 2006 Framework with the consequence that the Department was reluctant to make a sustained investment in supporting LED.
- Insufficient guidance was offered on how LED should be implemented and particularly it was felt that the roles of various players within Government around LED were ill-defined and how they might be better coordinated.

- It provided only a limited perception of evidence-based planning and no proposals for monitoring and evaluation systems on assessing what did or did not work in LED.
- It offered no guidance on capacity building for LED or support for LED management issues especially for local municipalities.
- The Framework failed to adequately situate LED within broader service delivery for recognition among a host of municipal priorities.
- Limited focus upon linking LED with national job creation imperatives thus restricting its political appeal.
- Failure to convey through media the broader understanding and importance of LED.
- The scaling of LED within municipal boundaries rather than within appropriate value chains or market outreach of local economies.
- Finally, the 2006 document was viewed as too conceptual and with limited appeal for hands-on LED practitioners who found some of its terminology ‘alien’ to them.

4.3.2.5 Local Government: Municipal Financial Management Act 53 of 2003

The *Municipal Financial Management Act (MFMA)* 56 of 2003 provides for municipalities to develop a budget to ensure the capacity to use, control, monitor, evaluate and manage the resources and performance channelled towards implementation of LED (Maloka, Mashamaite & Ledwaba, 2014). The *Act* aims at securing sound and sustainable management of the financial affairs of municipalities, and other institutions in the local sphere of government by establishing treasury norms and standards for the local sphere of government. According to Hanabe, Taylor and Raga (2017), the *Municipal Financial Management Act (MFMA)* sets out the local government budgetary reforms that seeks to achieve the following objectives:

- a) To ensure that municipal budgets and financial management processes are transparent, aligned to the accountability cycle and facilitate democratic governance accountable to local communities.
- b) To ensure municipal budgets generally support the provision of basic services to communities to facilitate social and economic development and to promote a safe and healthy environment in sustainable manner.

- c) To ensure that budget and financial information is reliable and timely and consistent across municipalities and that municipalities, provinces and national government use it in management and policy decision-making.
- d) To ensure that each municipality produces a budget document that is aligned to the IDP in the medium-term, that passes the funding compliance test, and which contains accurate financial information backed-up by useful informative narratives. The document should be user-friendly and facilitate engagement with communities and informed decision-making by council.
- e) To improve financial governance by clarifying and separating the roles and responsibilities of mayors, executive and nonexecutive councillors vis-à-vis those of municipal officials.

4.3.2.6 Policy Guidelines on the Implementation of LED in South Africa (2005)

The DTI's Policy Guidelines for LED Implementation, published in 2005, is another key policy initiative. The policy effort aims to address socio-economic issues such as high unemployment and poverty (Hindson & Valerie Vicente-Hindson, 2005). Economic growth and poverty eradication are identified as the key overall aims of LED in South Africa in the Policy Guidelines (Meyer, 2014; Meyer & Venter, 2013; DPLG, 2005). The Policy Guidelines emphasize the creation of strong and inclusive local economies that take advantage of local opportunities, address local needs, and contribute to national development goals including economic growth and poverty eradication (DPLG, 2005). The Policy Guidelines also spell out provinces' and local governments' obligations and responsibilities in relation to LED, highlighting the relevance of a province's Provincial Growth and Development Strategy (PGDS) for the province's overall economic development (Koma, 2014; DPLG, 2005). Each province is required to create a PGDS, which outlines the general framework and plan for enhancing services and boosting the economy. Additionally, each province has a Spatial Development Framework (SDF) that specifies where and how commercial and residential development should occur, as well as how the environment should be preserved. The guidelines clearly define the role of provincial governments as coordinating national government resources while ensuring alignment with the

priorities of various IDPs; building municipal capacity to undertake LED and support its implementation; and establishing the LED fora to carry out the work of the National LED Forum and establish dedicated LED units in provincial governments (Koma, 2014; Mbhele, 2013).

4.3.3 The Role of Local Government in Local Economic Development

The Constitution of the Republic of South Africa requires local government, particularly local municipalities, to structure and manage their administration, budgeting, and planning procedures in order to prioritize the basic requirements of communities and promote their social and economic growth. In other words, the majority of South Africans are confronted with the triple challenges of unemployment, poverty, and inequality, and local governments have a constitutional obligation to fulfil their socioeconomic needs (Khambule & Mtapuri, 2018; Madumo, 2015). According to Madumo (2015), in order to offer communities with long-term services, local governments must be built to be people-centred, accountable, and democratic. Local government institutions are crucial in utilizing national and regional resources to promote their areas and facilitating successful local cooperation to help improve and sustain economic growth (SALGA, 2010). Local governments should work with local stakeholders such as the private sector, labour unions, and civil society organizations, as well as national and provincial governments, to promote LED and enhance the living conditions of local residents. As a result, LED is a joint effort involving local governments, businesses, and civil society organizations such as non-governmental organizations.

4.3.3.1 Local Government System in the Post-1994 South Africa

South Africa's local government system is relatively new, and it tries to address the developmental challenges posed by former apartheid governance (Madumo, 2015). Prior to 1995, the local government system was characterized by discriminatory laws and policies that favoured the white minority while discriminating against the black majority (Molefane, n.d). However, once apartheid ended in 1994, the first democratic administration steered clear of spatially selective economic measures for fear of being associated with apartheid policies

(Rogerson & Nel, 2016). The experiences of the apartheid era affected the reform of local government in the country. Local government was restricted to a narrow functional area of government with minimal policy-making functions during the apartheid era (Sebola, 2015). The proposed new local government system was preceded by three phases of local governance, notably the pre-interim phase (1993-1995), interim phase (1995-2000), and final phase (2000 democratic local government), until it came into being following the local government elections in 2000 (Madumo, 2015; SALGA, 2015). In order to address the apartheid legacy, the debates intended to transform the local government system into a decentralized and democratic one. Because of the decentralisation process, the role of subnational governments, particularly local governments, in fostering democracy and providing basic services to the people has received more attention (Khambule, 2018). Local government in South Africa has been tasked with rebuilding local communities and environments as the bedrock for a democratic, integrated, prosperous, and truly non-racial society (SALGA, 2015). However, one of the most difficult and intricate processes for the new democratic state has been the democratization of local administration.

The current local government system arose from the apartheid municipal system's total structural overhaul. South Africa is a unitary state with three separate sectors of government that are interdependent and interrelated. Together with the national and provincial spheres, local government is one of the three domains of government. Local government is defined as a branch of government that is closest to the people and provides a wide range of services within a given territory (Nkuna & Sebola, 2015; Sebola, 2015). According to Section 40 of the Constitution of the Republic of South Africa, local government is one of the government sectors. Under a cooperative governance system, the local government as a sector of government is interconnected with the provincial and national spheres of government (Madumo, 2015). The Republic of South Africa's Constitution establishes local government as an autonomous sphere of government responsible for service delivery and imposes a set of specific responsibilities on the national and provincial levels to provide oversight and support to municipalities in order to strengthen their capacity. These spheres of government have the authority to intervene in the operations of a municipality if that municipality is unable to adhere to its constitutional mandate

or is unable or unwilling to fulfil its executive obligations under the applicable legislation (Madumo, 2015; Van der Waldt 2015).

Local government is the context of everyday life for South Africans, and it has an impact on the people's lives. Being contextual means that such local government is specific to the South African context, as well as any other country on the planet (Nkuna, 2013). According to Section 151 of the Constitution of the Republic of South Africa (1996), the local sphere of government consists of municipalities that must be established throughout the country, with the municipal council having executive and legislative authority. Members of a municipal council are either elected in accordance with national legislation specifying the electoral system or appointed to represent other municipal councils by other municipal councils (Nkuna, 2013). The new local government system is made up of municipalities established under the Local Government: Municipal Structures Act 117 of 1998, which is part of the country's Constitution (Sebola, 2015). These municipalities, subject to national and provincial regulations, have the authority to regulate the local affairs of their communities on their own. These municipalities provide water, energy, housing, sanitation, waste management, and other services to the local communities. Local government is organized into three divisions by the Constitution: metropolitan, district, and local municipalities. The Municipal Demarcation Board defines and establishes geographical areas for municipalities. As a result, the Municipal Demarcation Board establishes the jurisdictional boundaries of each municipality.

There are 278 municipalities in South Africa, with 226 local municipalities, 44 district municipalities, and 8 metropolitan municipalities. The country's eight largest cities are organized into metropolitan municipalities (metros), while the rest are divided into local municipalities. A district municipality is made up of several smaller municipalities that are all located inside the same district. In addition, the Municipal Structures Act divides all municipalities into wards, with the exception of district municipalities. The Constitution of the country determines the goals and functions of local government. Section 152 of the Constitution outlines the goals of local government, which include providing democratic and accountable government for local communities, ensuring the long-term provision of services to communities, promoting socio-

economic development, promoting a safe and healthy environment, and encouraging community and community organization participation in local government matters.

Furthermore, the functions of local government are defined in Section 156 of the Constitution. A municipality's executive authority and rights to administer the local government matters mentioned in Part B of Schedule 4 and Schedule 5 are among these functions. A municipality must ensure that it manages its operations in such a way that it strives to meet the Constitution's goals. According to Section 153 of the Constitution, a municipality must develop and manage its administration, budgeting, and planning procedures to prioritize the community's basic needs, promote social and economic growth, and participate in national and provincial initiatives. Local government is separate from the rest of the government and operates under its own set of laws (Sebola, 2015). These legislations include the Municipal Finance Management Act 56 of 2003 (MFMA), the Local Government: Municipal Systems Act 32 of 2000, and the Local Government: Municipal Structures Act 117 of 1998, to name a few. The Municipal Finance Management Act (MFMA) defines implicit standards for how municipalities must manage their finances, while the Municipal Structures Act creates local government structures, and the Municipal Mechanisms Act creates procedures for running developmental local government (Nkuna & Sebola, 2015). These laws apply to the governing and administration of all municipalities throughout the country. These laws, however, do not supplant the country's Constitution, and local governments must work within the confines of the Constitution.

4.3.3.2 Developmental Local Government

The RDP's interventionist ambitions were combined with the GEAR policy's market-oriented economic tactics to create the concept of developmental local government (Nkuna & Sebola, 2015). In actuality, the RDP's goals and GEAR's economic imperatives were reconciled through the creation of developmental local government (Nkuna, 2011; Smith & Vawda, 2003). South Africa implemented the developmental local government after completing the local government revolution in 2000. Despite this, the concept was included in Chapter 7 of the Republic of South Africa's 1996 Constitution. The policy framework was formed with the adoption of the Local

Government: Municipal Structures Act 117 of 1998, which was followed by the Local Government: Municipal Systems Act 32 of 2000, to give reality to the Constitution's notion of developmental local government. The phrase 'developmental local government' is derived from the White Paper on Local Government of 1998, which is based on the values enshrined in the Constitution of the Republic of South Africa. Nkuna (2011) explains that the constitutional necessities of local government as a sphere of government give rise to the core of South African developmental local government. Developmental local government is a new type of government that responds to the needs of local communities in terms of social and economic development. The White Paper outlined a strategy for local governments to achieve their development objectives (Koma, 2012). To be developmental, local governments must work with citizens and other stakeholders through mechanisms such as integrated development planning and performance management systems. The White Paper's constitutional objective of developing local government should be reflected in the functional capabilities of local government (Community Law Centre, 2007).

A developmental municipality is one that can offer basic amenities such as water, power, sanitation, local roads, sanitation, and waste management, as well as promote local economic growth and thereby improve the quality of life for all residents. However, given the current status of local government in the country, development (services) has not been delivered in accordance with expectations or as predicted in numerous prescripts. Developmental local government is viewed as a vision for South Africa's future form of local government, in which efficient and effective municipalities satisfy the needs of all citizens, particularly the poor and vulnerable (Koma, 2012; DBSA, 2000). According to the White Paper on Local Government, a local government that is devoted to engaging with community members and organisations to build lasting solutions to solve their social, economic, and material needs and enhance their quality of life is known as a developmental local government. Developmental local government should be considered as the local developmental state since it is anchored by the state's developmental philosophy as the primary economic development coordinator functioning at the local level (Khambule, 2018). As a result, developmental local government must be viewed in the context of its role in a developing country, where it represents a novel type of governance.

a) South Africa's Developmental State Agenda

Most studies on developmental states tend to prioritise the national sphere of government, with less attention on its conceptualisation and contextualisation at the local government level (Ramodula & Govender, 2021; Rizc, 2014; Tshishonga & De Vries, 2011). Thus, to address this, the concept of 'state' is considered in its broader sense, embracing all spheres of government; namely, central, local and/or provincial. Since a state exists to promote the general welfare of a specific community within a clearly defined jurisdiction. A developmental state, by definition, applies generically to all spheres of states. Development, on the other hand, is considered as a social process by which humans improve their well-being and express their dignity while also ensuring the process's long-term viability (Castells & Himanen, 2014). In emerging countries, the developmental state is becoming a hot topic (Tshishonga & De Vries, 2011). As a result, the progressive state coexists with a new political order or development, which is seen as the best alternative to conflict and oppressive colonial and apartheid systems.

The term 'developmental local government' is used at the local government level in terms of policy provisions including the Constitution of the Republic of South Africa and the White Paper on Local Government (1998). The concept of the 'developmental state' resonates with the advent of democracy in South Africa in 1994, and the term 'developmental local government' is used at the local government level in terms of policy provisions including the Constitution of the Republic of South Africa and the White Paper on Local Government (1998) (Ramodula & Govender, 2021). Since then, the South African government has committed to establish a developmental state that will effectively manage national economic development by mobilizing and directing society's resources toward common goals. South Africa strives to be a capable developmental state that uses subnational state institutions to promote socioeconomic progress and effectively respond to pressing developmental challenges (Khambule, 2019). In policy conversations and agendas about societal concerns such as unemployment, poverty, inequalities, and underdevelopment in the country, the debate on the developmental state is currently prevalent (Burger, 2014). The National Development Plan (NDP) sets out the intention to transform the South African state into a capable and developmental state that is able to provide

solutions to the triple challenges of unemployment, poverty and inequalities (Khambule, 2018; Burger, 2014; NPC 2012). Current policy debates in the country are framed within the government's ambition to build a capable and developmental state. According Ramodula and Govender (2021), this intention is prompted by the persisting and prevalence of both economic and social underdevelopment in the country. Thus, the state is expected to play a central role in promoting social and economic development in the country. Hence, the adoption of the notion of developmental state as a model to overcome the social and economic challenges facing the country.

South Africa's social and economic situations have necessitated a paradigm shift towards developmental state to overcome the triple challenges facing the country. As a result, a developmental state is considered as a means out of South Africa's current state of sluggish economic progress and development (De Wee, 2016; Netshitenzhe, 2015). A developmental state is one that prioritizes economic development on its national policy agenda and is capable of developing adequate and effective procedures to attain that aim (Tshishonga & Vries, 2011). Burger (2014) defines a developmental state as one in which the government plays a large, active, and meaningful role in the economy in support of a limited number of industries, largely in the private sector. Building a strong public service, providing an enabling investment climate, promoting small company development, successfully using state-owned companies, and driving strategic investment programmes are all examples of how a developmental state can coordinate and assist economic development. Improved state capacity is considered a catalyst for economic growth, which is a central theme of the developmental state (Ramodula & Govender, 2021). A developmental state, according to De Wee (2016), is one that is focused on economic development and adopts the appropriate governmental steps to achieve that goal. Because it is resolved to achieve economic growth accompanied by fundamental changes in socio-economic conditions, a developmental state plays a significant role in economic development (Khambule, 2018; Burger, 2014).

According to Ramodula and Govender (2021) and The Presidency (2011), the term 'developmental' denotes a concerned sphere of government, irrespective of whether emphasis is

placed on national or local government, which must provide leadership towards rapid transformation in economic and social conditions through active, intensive and effective interventions in the structural causes of economic and social underdevelopment in South Africa. According to Ukwandu (2019); De Wee (2016); Mkandawire (2001), the developmental state has ideological and structural components, which are distinct to other forms of states. A developmental state is defined as one with a developmentalist ideological orientation and the potential to achieve long-term economic development (Ukwandu, 2019; De Wee, 2016). A developmental state, on the other hand, is one that has the structural capacity to implement economic policies efficiently and effectively (De Wee, 2016). A developmental state, according to Ukwandu (2019), must have the vision, leadership, and capacity to bring about beneficial societal change in a short period of time. A developmental state is critical in encouraging economic development and utilizing governmental resources to meet people's needs.

South Africa's desire to become a developmental state is motivated by the success of South-East Asian countries such as Hong Kong, South Korea, Singapore, and Taiwan (dubbed the Asian Tigers) in overcoming poverty and achieving remarkable economic growth (De Wee, 2016). As evidenced by the Asian Tigers' remarkable rise, South Africa has recognized a developmental state for increasing economic growth, encouraging rapid industrialisation, and enhancing socio-economic development (Khambule, 2018). The developmental state in these countries was more focused with speeding inclusive economic growth, fast industrialisation, and technological advancement. The Asian Tigers adopted the developmental state as a model to accomplish industrialisation, economic growth, and development in their respective countries (Mathebula, 2016). However, developing nations like the Asian Tigers are linked to negative traits including low human rights, a weak civil society, authoritarianism, and a frequent lack of legitimacy, all of which are antithetical to democracy and hamper the emergence of democratic developmental states (Khambule, 2018; Kim, 2010). The Asian Tigers' success can be linked to the central role played by authoritarian regimes, which has weakened democratic norms.

South Africa aspires to replicate the achievements of some of these developing countries (Asian Tigers) in order to build a more inclusive and cohesive society based on the notion of sustainable

development and to address the legacy of apartheid and its expressions of poverty and inequities (Ukwandu, 2019; Burger, 2014; De Wee, 2016). Building a developmental state in South Africa necessitates the creation of favourable economic conditions, such as the decrease of poverty, inequality, unemployment, and highly competent bureaucracy (Mathebula, 2016; Dagut, 2010). By 2030, the NDP wants to eliminate poverty and inequality. The need of establishing a developmental state in South Africa stems from the country's will to confront the negative consequences of persistent poverty, rising unemployment, and widening inequality. South Africa's National Democratic Party (NDP) stated that the country's developmental state goals will necessitate active engagement from all levels of government (NPC, 2012). The country's local government system depicts a progressive state model that has a strong role for local government. The country's local government, for example, is guided by the White Paper on Local Government's developmental local government concept (DPLG, 1998). Similarly, the NDP notes that, because of its proximity to citizens, local government plays an important part in the country's developmental state objectives. This emphasizes the State's, local governments, and civil society's critical roles in the country's development goals. Rather of being the major architecture, local government should be viewed as a supporting component for the state's developmental goals. The national government remains the building block, with provincial and local governments providing support. For the local developmental state to succeed, the national government assures that national and local government capacities are equal.

b) Characteristics of Developmental Local Government

According to the White Paper, the country's local government system represents a developmental state model, with local governments focused on the most vulnerable and often marginalized or excluded persons and groups within communities, such as women, the disabled, and the impoverished. The concept of developmental local government, according to Nkuna & Sebola (2015), can be drawn from larger conceptions such as a developing state. The Constitution of the Republic of South Africa defines a developmental state as one in which municipalities play a greater and more specific role in social and economic development (Nkuna & Sebola, 2015). The importance of local government cannot be overstated. Nkuna (2011), for

example, proposes that developmental local government is better understood through its qualities rather than a one-time description. According to the White Paper on Local Government (1998), a developmental local government is characterised by maximising economic growth and social development, integrating and coordinating, democratic development and public participation, and leading and learning. Developmental local government can be understood through these interrelated characteristics.

- **Maximising Economic Growth and Social Development**

Local government must execute its powers and functions in a way that has the greatest influence on community economic growth and social development (Visser, 2009; DPLG, 1998). Municipal governments, in particular, can fulfil this responsibility by providing basic services and encouraging local communities' social and economic development. Promote social development through engaging in activities such as arts and culture, providing recreational and community facilities, and providing social welfare services (Nkuna, 2013). Municipalities must do everything in their ability to boost local economies and provide jobs for their residents. According to the White Paper of 1998, municipalities must have a defined economic plan and engage with local businesses to optimize job creation and investment. Local government, on the other hand, is responsible for proactively ensuring that the locality's overall economic and social conditions are conducive to job development. Everything a municipality does should seek to have the greatest potential impact on the social and economic development of a community. Municipalities, in particular, must take seriously their duties to provide cost-effective and economical services that meet the basic needs of their communities' most vulnerable residents.

- **Integrating and Coordinating**

Other state and non-state agents in the municipal region must integrate and coordinate development initiatives with local government (Visser, 2009; DPLG, 1998). To achieve national goals, local government's capacity to integrate and coordinate development planning with national plans must be reinforced (Khambule, 2019). All those who have a role to play in

establishing local wealth through integrated development planning require vision and leadership from developmental local government (Nkuna, 2013). Most local areas benefit from the contributions of many different entities, such as national and provincial government departments, parastatals, trade unions, community groups, and private sector organizations. Municipalities should actively seek solutions to leverage resources and investment from both the public and private sectors in order to achieve development goals (DPLG, 1998). The development local government must lead all individuals who have a role to play in achieving local prosperity. One of the most important approaches to achieve more coordination and integration is through integrated development planning. According to Nkuna (2013), the operations of various local government agencies must be integrated and coordinated through the process of integrated development planning. Municipalities can employ integrated development plans to help their communities deliver services in a more integrated and coordinated manner. A lack of collaboration among service providers could jeopardize the development endeavour (DPLG, 1998).

- **Democratic Development**

Citizens use local government as a vehicle to actualize their vision of the kind of community they wish to live in (Visser, 2009; DPLG, 1998). Municipal governments, through municipal councils, must play a critical role in maintaining and growing local democracy (Nkuna, 2013). Municipal governments are vital to the advancement of local democracy. Residents and community groups should be involved in the creation and delivery of municipal programs, and councillors should advocate for community concerns within the Council. Ward committees and community conversation are also good ways to get more people involved. Municipalities can accomplish this by leveraging local individuals' contributions and efforts. The developmental local government/local developmental state empowers local institutions to be proactive and inventive in achieving national development goals through avenues such as IDPs, LED techniques, and local elections (Khambule, 2019). In South Africa, democratic development is expressed through a participatory integrated development planning process that is anchored by citizen participation in local government-led development planning.

Because local government is the sphere closest to the people at the grassroots level, municipalities must develop, encourage, and nurture a culture of community participation in their affairs, as well as develop mechanisms to ensure consultation with communities in the exercise and discharge of municipal powers and functions. This promotes democratic involvement and a sense of community. Municipalities, according to DPLG (1998), must embrace inclusive ways to increasing community involvement, including measures targeted at reducing barriers to, and actively supporting, marginalized groups' participation in the local community. Such participatory methods, on the other hand, must not become a barrier to progress, and narrow interest groups must not be permitted to 'capture' the development process. As a result, governments must discover ways to structure involvement in such a way that it benefits rather than hinders the service delivery process.

- **Leading and Learning**

Rapid changes at the global, national, and local levels are causing local communities to rethink their governance and organizational systems. Communities all across the world must devise new ways to sustain their economies, build their societies, protect their environment, promote personal safety, and eradicate poverty. The leadership of a growing municipality should be aware of new developments and changes. They should be able to strategize, formulate visions and policies, and mobilize a wide range of resources to meet basic requirements and achieve development goals in their area. Municipalities, according to Visser (2009) and DPLG (1998), must promote social capital, encourage the development of local solutions for enhanced sustainability, and foster local political leadership. Municipalities will be able to establish local ability to address local issues as a result of this. Workshops, short managerial courses, and seminars will be used to ensure that municipalities learn. The municipal government in South Africa has been chastised for its lack of capacity. Capacity building is critical in a developmental local government to guarantee that municipal employees understand what they must do to achieve the developmental mandates they are responsible for. This also attempts to guarantee that towns are well-versed in how to assist a developing country. Municipalities must become more strategic, inventive, and ultimately influential in their operations, serving as policymakers,

thinkers, and innovators, as well as institutions of local democracy, mobilizing a wide range of resources to meet basic needs and attain developmental goals. DPLG (Department of Public Law and Government) is an acronym for the Department of Public Law and Government (DPLG, 1998).

4.3.3.3 Institutional Arrangements for Local Economic Development at Local Government

For the successful implementation of local economic development (LED) in South Africa, institutional arrangements are critical. Institutions are vital in the LED process, since they provide a framework for norms that enable logical and optimal decision making as well as stability and assurance for stakeholders (Matlala & Motsepe, 2015). The successful implementation of LED necessitates the establishment of appropriate and effective institutional mechanisms at the local level. As a result, local governments across the country should put in place institutional arrangements to support and foster LED. LED institutional arrangements were defined by Matlala (2014) as a wide range of organizations, institutions, and networks required for the coordination, management, implementation, and monitoring of LED activities and strategies. Matlala and Motsepe (2015) state that LED institutional arrangements serve three primary purposes, namely a) ensure successful resource management to achieve envisaged LED objectives; b) provide a platform for various LED stakeholders to articulate their interests, share information, bargain, and take collective decisions; and c) reduce uncertainty in the implementation of LED.

In 2008, the Department of Cooperative Governance and Traditional Affairs (CoGTA) developed guidelines to assist local governments in developing their own context-specific institutional arrangements. LED institutional arrangements include, amongst others, LED unit/division within the municipality, LED forum, LED agencies, networks and strategic area partnerships. Hindson and Vicente (2005) summarised some of the institutional arrangements as presented in Table 4.2 below. Institutional arrangements may range from formal to informal and from internal to external with varying degrees of authority, accountability and responsibility for coordination and implementation of LED strategies and activities. These institutional

arrangements are support institutions for effective and successful implementation of LED strategies and initiatives at local government. Thus, effectiveness of these institutional arrangements is important towards the successful implementation of LED in local municipalities.

Table 4.2: Institutional arrangements for LED

	Roles of actors	Stages in LED process	Costs & who bears them	Advantages	Disadvantages
Networks	Based on mutual interest & delivery of tangible results	Good place to start & can play roles at all stages	Low cost, local resources, resource sharing	Low cost, connects actors & is flexible	Needs personal & institutional commitment & vulnerable to breakdown
LED Units	Highlights local government role in promotion LED	It is best if these emerge as need is demonstrated for them	Staff & administrative costs borne by local government	Gives LED higher profile & resources in local government	May not be priority & can dissipate resources
LED Forums	Draws in representative leadership of organised actors	May be a step towards operational & strategic partnerships	May be voluntary, costs can be shared, or LG can cover costs	Builds relationships & shared vision	Can end as talk shop or platform for power play
Area partnership	Multiple roles focussed on delivering results	Can follow a forum, can lead to an agency	Shared costs, shared responsibilities	Strategic, short run results-oriented, flexible & rapid learning	Durability, maintaining coherence, accountability & poverty focus
Agencies	Concentrates LED functions in on agency, may or may not promote partnerships	Should ideally emerge out of strategic partnership, if need is clear	Resource-intensive, generally public funded	Concentration of skills& services coherence & durability, delivery oriented	Can duplicate roles, absorb resources, be bureaucratic & inaccessible, may need region base

Source: Hindson & Vincente (2005)

a) LED Units

According DPLG (2006), a LED Unit should consist of a small team supported by at least two technical experts. These structures are set up in all provincial governments and municipalities

(Hindson & Vicente, 2005). According to Meyer and Venter (2013), the organisational structure requirements of the LED unit may differ from one municipality to another depending on the size of the municipality and locality, organisational structure of the municipality and vibrancy of economic development within the municipal area. The LED unit reports directly to the municipal manager and ensures that the municipality's developmental objective of promoting LED is met (Meyer & Venter, 2013). This unit's primary responsibility is to manage and mobilize resources for the municipality's LED implementation, and it is anticipated to carry out its mission in close coordination with a variety of major LED partners (Matlala, 2014; DPLG, 2006). Public, private, and non-governmental organizations (NGOs) are examples of local or external stakeholders. In order to guarantee that efforts are coordinated, and no work is repeated, the LED unit should cooperate closely with other municipal agencies (Meyer & Venter, 2013). According to Meyer and Venter (2013: 98), the LED unit should be responsible for the following functions:

- *“Coordinate the implementation of the LED strategy.*
- *Act as knowledge bank and champion on economic issues within the municipality.*
- *Coordinate the implementation of LED projects within the municipal area.*
- *Stakeholder management and partnership formation.*
- *Improve access to business advisory services.*
- *Promote investment and marketing.*
- *Mobilise communities and vulnerable sectors such as women, young people and people with disabilities to become economically active.*
- *Mobilise stakeholders and develop a cohesive vision and understanding of LED.*
- *Identify LED constraints and opportunities and develop mitigating strategies.*
- *Provide secretariat services to the local LED forum”.*

b) LED Forums

The National LED framework makes a provision for the establishment of LED forum within a municipality (Mokoena, 2019; DPLG, 2006). According to Meyer and Venter (2013), the LED stakeholder forum is a group of representatives from local stakeholder groups working together and utilising their knowledge of the area in proposing development projects. The LED forums

are intended to bring different LED actors and stakeholders to promote economic development within the municipality (Matlala, 2014; Hindson & Vincente, 2005). LED is an approach that encourages local stakeholders to work collaboratively to achieve economic development and improving the standard of living of local communities. Mokoena (2019) postulated that LED forum is responsible for improving the performance of local government with respect to all aspects of LED, assist local government in identifying and capitalising on local competitive advantage for territorial socio-economic development and ensure participation of previously disadvantaged groups and individuals in communities in realising opportunities offered by LED. The local LED forum should also seek to strengthen integrated economic planning and manage LED initiatives and strategies' access to resources and finance (Matlala, 2014; Meyer & Venter, 2013). Meyer and Venter (2013) further outlined the functions of LED forums as identifying economic development bottlenecks hindering development within a municipal area, identifying interventions to address such constraints, providing inputs on policies, strategies and service delivery processes of the municipality and providing relevant direction and assistance to sectoral working groups.

c) LED Agencies

Between 1999 and 2003, the Department of Trade and Industry (DTI) collaborated with international partners such as the UN Development Program (UNDP), the United Nations Office for Project Services (UNOPS), and the Italian government to establish four Local Economic Development Agencies (LEDAs) in four provinces (Patterson, 2008). In the provinces of Limpopo, Mpumalanga, the Eastern Cape, and the Northern Cape, the four LEDAs were established as non-profit organizations (Pretorius & Blaauw, 2008). LEDAs are community-based organizations created by local governments to encourage long-term economic growth, income generation, and good job creation, with a special emphasis on small companies and poor people with entrepreneurial potential (Pretorius & Blaauw, 2008). LEDAs are primarily concerned with promoting and assisting SMMEs at the local level. LEDAs, according to Pretorius and Blaauw (2008), are independent organizations shaped by public and private institutions with the goal of implementing shared territorial development strategies, with a

particular emphasis on facilitating access to income and decent employment for the most marginal segments of a population. LEDAs are defined by Khambule and Gerwel-Proches (2019); ILO (2014); Canzanelli (2011) and Pretorius and Blaauw (2008) as legal, independent, non-profit structures established by public and private institutions of the territory as a mechanism through which local actors collectively plan and develop initiatives for territorial economic development, identify the most appropriate instruments for their realization, and improve a coherent system for technical and financial support.

Khambule and Gerwel-Proches (2019) and Khambule and Mtapuri (2018) state that LEDAs were established in South Africa as institutional structures mandated to coordinate and stimulate economic development at subnational level to make LED work and to assist local government in addressing the triple challenges, because of the inabilities of local municipalities to lead LED. Thus, LEDAs were established with the intention of creating an enabling environment to address the challenges facing local government and building a capable local government. LEDAs are specialized institutions that serve as a delivery tool for municipalities to coordinate and manage public resources, potential investors, and regional investment opportunities in order to achieve defined development goals (Lawrence & Rogerson, 2019; Nel, 2017). The key roles of LEDAs in local governance and LED are identified as including (Lawrence, 2013; DPLG, 2006):

- (a) Providing a way of establishing formal and legal partnership between different stakeholders to integrate development efforts and overcome problems of duplication and lack of coordination.
- (b) Serve as a mechanism for value addition to the current LED systems and resources in locality within a municipal area.
- (c) LEDAs are seen as drivers of the economic development agenda within a local area, which can raise external resources to support LED.
- (d) Support specific business sectors or specific geographical areas, for example, a development corridor.

Some of the specific local and regional activities for LEDAs in South Africa include championing activities related to LED strategy implementation, fund raising for specific projects,

coordinating, monitoring, and quality control of services available in the area, and promoting regional activities through collective marketing (Lawrence, 2013; DPLG, 2006). LEDAs were clearly envisaged as effective instruments or agents for the adoption of LED within a certain municipal jurisdiction in South Africa. Through collaborations and participation of local stakeholders, these structures are seen as potential vehicles for promoting and implementing LED. These established institutional mechanisms give local governments in South Africa the pressure they need to plan and implement LED effectively.

d) Department of Trade and Industry

LED is seen as a fundamental part of the Department of Trade Industry's (DTI) national strategy for the promotion of small and medium-sized enterprises in the country (Pretorius & Blaauw, 2008). The DTI is amongst other institutions responsible for Regional Industrial Development Strategy (RIDS) that impacts on LED and provides policy support, capacity building in the area of LED planning, partnership building and facilitation of implementation of LED (Koma & Kuye, 2014). The RIDS focuses on overcoming critical barriers to the economy's functioning through infrastructure interventions that will improve all areas' access to markets and resources, allowing them to realize their full economic potential (Patterson, 2008). The DTI was also charged with the responsibility for the LEDAs in South Africa. These structures were established to support and coordinate the implementation of LED across the country. Overall, the DTI is tasked with promoting structural transformation and providing a predictable, competitive and equitable environment, which encourages trade, investment and enterprise development along with sustainable growth, locally, regionally and globally (DTI, 2016). Clearly, the DTI is one of the institutions central to the implementation of LED at local government, complementary to other key institutions. Thus, appropriate institutional arrangements are critical in the coordination and implementation of LED initiatives and strategies within municipalities in South Africa.

e) South African Local Government Association (SALGA)

The South African Local Government Association (SALGA) is a constitutionally mandated entity that provides support, direction, and monitoring to local governments throughout the country. SALGA's National Directorate of Economic Development and Planning is responsible for economic development, development planning, integrated development planning, environmental problems, tourism marketing, and improved municipal financial management (SALGA, 2010). One of the Directorate's key objectives is to help local governments build LED programmes that ensure that national priorities and policies are implemented at the provincial and municipal levels. SALGA is an autonomous institution that represents all 278 local governments (municipalities) in South Africa. The institution is one of the government agencies that helps with LED implementation, as well as monitoring and assessment (Madue & Pooe, 2015). SALGA has reaffirmed its commitment to assisting local governments in achieving their goals through inclusive and long-term economic growth. The SALGA LED Position Paper updated in 2010 identified some of the following key areas (Economies of Regions Learning Network (ERLN), 2016; SALGA, 2010):

- Raising the profile of LED within local authorities.
- Contributing to a common and better understanding of LED and specifically the most appropriate and effective role for local government in LED.
- Lobbying COGTA to establish a central and easily accessible database of key micro- and macro-economic data at the local, district and provincial level.
- Lobbying key stakeholders to support the development of capacity to better understand and analyse the spatial and value-chain economy, as opposed to the local economy.
- Working with members to encourage better co-operation between logical spatial and value chain economic units.
- Working with members and other stakeholders to promote the concept of and the practical issues around LED networks.

However, SALGA has identified a few obstacles that impede effective LED, which towns must confront and overcome in order to achieve their LED goals. These include lack of common

understanding of the role of LED and LED processes; inability of many municipalities to clearly define an LED strategy within the broader IDP process; lack of planning resources and capacity; growing urban-rural divide in LED processes and practices; practical spatial constraints of economic planning at a very local level; and less-than-effective working relationship between provinces (ERLN, 2016; SALGA, 2010).

f) Department of Cooperative Governance and Traditional Affairs

The National LED Framework specifies the national government's tasks and responsibilities in relation to LED in the country. The DPLG (now the Department of Cooperative Governance and Traditional Affairs (CoGTA)) has a dedicated chief directorate for encouraging and enabling LED through intervention support for provincial and local governments through the development and review of national policy, strategy, and guidelines on LED (Kamara, 2021; DPLG, 2006). After that, the DPLG developed a national policy framework for LEDs. Refocusing Development on the Poor, Policy Guidelines for Implementing LED in South Africa, and the National LED Framework policy documents are the result of these initiatives (Hindson, 2005). The goal was to maximize the economic potential of all local communities within municipalities across the country, as well as to improve macroeconomic growth resilience through greater local economic growth, job creation, and development efforts in the context of long-term development (SALGA, 2010). The national government establishes policies and strategies for LED implementation in the country, as well as funding and other support services, through CoGTA (formerly DPLG). The DPLG LED Programme contributes to the development and review of national LED policy, strategy, and guidelines, as well as providing direct and hands-on support to provincial and local governments, management of the LED Fund, management and technical support to Nodal Economic Development Planning, and LED capacity building assistance (SALGA, 2010).

g) Development Bank of Southern Africa

Another important strategic partner in LED in South Africa is the Development Bank of Southern Africa (DBSA). The DBSA is one of the country's development financing institutions, providing financial aid and support for LED initiatives. The Bank's mission is to promote long-term socioeconomic development by funding physical, social, and economic infrastructure. It serves as a financier, advisor, partner, implementer, and integrator for development projects, including LED projects at local government levels (Koma & Kuye, 2014; Patterson, 2008). The Bank established LED in 2008 fund aimed to raise funding for LED implementation to unlock economic potential of localities to drive shared growth within local municipalities (Koma, 2014; Koma & Kuye, 2014). This is to be achieved through six activities:

- Developing the requisite strategic framework or LED strategies.
- Leveraging economic infrastructure to stimulate economic activity and nurture social inclusion.
- Closing funding gaps by initiating a funding vehicle that combines different sources and levels of risk and debt capital aimed at financing socio-economic development at cost levels that underpin financial viability of the recipient entity.
- Collaboratively mobilising stakeholders to leverage private sector participation.
- Promoting collaborative networks and building lasting social compacts; nurturing, building and managing relationships crucial to the achievement of national development goals.
- Building institutional capacity, through the offering of the Bank's Vulindlela training programmes and through building university partnerships (Koma & Kuye, 2014; DBSA, 2008).

4.3.3.4 LED and Integrated Development Planning Nexus in South Africa

Following the events of April 27, 1994, South Africa's democratic government faced significant challenges in terms of reconstruction, improving the quality of life of the historically disadvantaged population, and advancing the new state (Dlamini & Reddy, 2018). After 1994,

South Africa's integrated development planning approach was introduced as a platform for previously marginalized municipalities to participate in service delivery planning. Its primary goal as a development tool was to promote social and economic development, particularly in previously segregated areas (Mzimela, 2013). Gueli, Liebenberg and van Huyssteen (2007) argue that good and effective planning is a collaborative effort. Thus, integrated development planning in South African local municipalities reflects a commitment to a multi-sectoral, integrated, bottom-up approach to local and regional development (Ingle, 2007). This process has allowed municipalities, provincial and national representatives, as well as other stakeholders, to collaborate in the development of municipal development strategies and objectives (Kanyane, 2007). The process by which various stakeholders come together and work under a common defined vision to produce results that are commonly designed is referred to as integrated development planning (Valeta & Walton, 2008; Mashamba, 2008; Mello & Maserumule, 2010). The consultative process is emphasized in integrated development planning, where appropriate forums should be established where local residents, government representatives, non-governmental organizations, civil society, and external specialists can come together to analyse problems affecting service delivery, priority issues, develop a shared vision, formulate relevant strategies, and project proposals for the municipality's development (Ingle, 2010).

Only after extensive discussion and consultation should integrated project planning and implementation be undertaken (Asha & Madzivhandila, 2012). As a result, consultation allows the public to express their thoughts on project proposals initiated by project proponents (Malefane & Mashakoe, 2008). The integrated development planning aims to bring different perspectives from various municipal role players to enable decision makers to find optimal solutions to critical issues as well as effective approaches to dealing with them. This strategy is based on the principles of inclusive, representative consultation and participation of all stakeholders (Kanyane, 2007). Thus, integrated development planning necessitates communication within and between departments and government spheres, with information convergence resulting in a municipal integrated development plan (IDP). As a result, municipalities should take the lead in managing and coordinating local planning activities (Mello & Maserumule, 2010). Dlamini and Reddy (2018) argued that the IDP arose as a coordinating

tool for the national government to use in facilitating reconstruction and development through provincial, district, and local government departments. The integrated development planning process typically begins with defining a municipality's vision (desired end-state), followed by identifying key development objectives and proposing various strategies to address this objection, after which strategies are translated into budgeted programs and projects, and finally implemented and monitored (Valeta & Walton, 2008). Significantly, IDPs are designed not only to inform municipal management for development but also to guide the activities of any institution or agency that operates in the municipal area.

The operation of local government is regarded as an essential way for achieving the country' and municipalities' development goals. The scope and focus of a municipality is governed by integrated development planning, which is defined as a process for developing and implementing tangible plans with a significant effect on local development. According to Section 152 (1) of the Constitution of the Republic of South Africa, municipalities are responsible for providing services to their communities in a sustainable and accountable manner, as well as promoting the social and economic development of their communities. The IDP is a significant driver of LED in South African municipalities. The *Municipal Systems Act 32 of 2000* mandates that municipalities prepare their IDPs through an integrated development planning approach. IDPs are the primary strategic plans used by local governments to solve the development difficulties that their communities face. According to Koma and Kuye (2014), the IDP comes before a municipality's LED plan and strategy. The IDP is a five-year strategic plan that drives and informs all planning, budgeting, management, and decision-making in local municipalities across South Africa. The creation of an IDP is a legislative mandate for local governments, not something they can do on their own. According to Koma and Kuye (2014) and Malefane and Mashakoe (2008), LED installation is a legal requirement, not a municipal choice or favour designed to help their local populations. The IDP's ultimate goal is to put developmental local government's goals into action and contribute to the progressive realization of a number of essential constitutional rights.

The *Municipal Systems Act of 2000* mandates that the IDP explain the municipality's development priorities and objectives, including its LED goals, and that they be integrated with national and provincial plans and strategies. As a result, LED is an important part of a municipal IDP. As a result, a municipality must organize and manage its administration, as well as its planning and budgeting processes, in order to prioritise the basic needs, promote the social and economic development of communities and participate in both national and provincial development programmes. The various sector departments within municipalities are regarded as critical in shaping the final IDP document, which integrates their various targets or strategies, including LED strategy. Municipalities must consider the role of LED when developing municipal plans through an integrated development planning process, which implies that a municipality's economic activities that provide a competitive advantage must be prioritised. The role of IDP in achieving LED is recognized through legislation, with any IDP of a municipality required to include LED as part of its strategy. LED has come to the attention of municipalities in South Africa as a result of IDP legislative requirements.

Koma and Kuye (2014) argue that IDP and LED are not the same thing, but rather are highly interconnected and complementary. This suggests that integrated development planning places LED as an interdisciplinary and cross-cutting instrument for municipal planning that operationalises municipal planning. Typically, LED is intricately linked with a municipality's IDP in realising a successful municipal planning process, as well as meaningful result of such plans' implementation. While little effort has been made to distinguish between LED and IDP, Koma and Kuye (2014) attempted to interrogate their interaction by arguing that effective and efficient IDP must have sound and logical LED plans that contain the lucid strategies and programmes required to ensure job creation, poverty reduction, and overall economic development of the locality. LED strategies and projects should be fully incorporated into the IDPs of all municipalities. In the view of Koma and Kuye (2014), the plans should be linked to or be coordinated with other national government plans, such as the National Spatial Development Perspective, New Growth Path, and Provincial Growth and Development Strategy. In Malefane and Mashakoe's (2008) view, LED and IDP are municipal instruments that are designed as 'power twins' to address the challenges and dissatisfactions caused by South Africa's

long years of apartheid. The intersection of municipal planning and economic development initiatives via the legally mandated IDP and LED remains an important consideration for the South African local government dispensation. The crux of this proposition is that there is a need to recognise competitive advantages within communities that have the potential to influence local economic activities. Vibrant economic activities are critical for local governments since they provide an opportunity for SMMEs to not only thrive but also create jobs for the local people.

The municipality's IDP guides the development of the LED strategy (Koma & Kuye, 2014). Local governments are obligated to include LED plans and strategies in their long-term strategic IDP plans across the country. Municipalities will identify a number of socio-economic requirements of communities within the municipality during the IDP planning process. One of the primary outcomes that an IDP should strive for is LED. As a result, LED is seen as one of the most important techniques in an IDP. The IDP establishes a structure for synchronizing LED strategies with the municipality's other development plans (DPLG, 2005). The IDP was designed to ensure that all relevant stakeholders in a municipality identify critical development priorities, formulate a clear vision, mission, values, and appropriate strategies, develop structures and systems to respond to the vision and mission, and align resources with these development priorities, which include LED (Du Plooy, 2017).

The IDP fundamentally recognizes the intricate links that exist between numerous areas of development, such as political, social, economic, environmental, ethical, infrastructure, and spatial development. Given the interdependencies, addressing simply one area and expecting to have a developmental influence is untenable. Any sustainable and successful plan, according to the IDP, must address all of the elements in a coordinated manner, based on a study of the underlying structural causes that support economic growth, poverty, and inequality. Within the municipality, the IDP should also foster and facilitate public-private partnerships, SMME development, and long-term development (Koma & Kuye, 2014). In other words, in South Africa, local municipalities' IDPs promote LED planning and implementation. Local governments in South Africa, on the other hand, lack cooperation and collaboration between

LED and IDP (Koma & Kuye, 2014). In many local municipalities around the country, there is no apparent synergy between these crucial municipal instruments. As a result, in many municipalities, the coordination and operationalization of LED and IDP are hampered by a lack of connectivity. During the IDP and LED planning processes, it is critical to establish effective cooperation and alignment. This is to ensure that municipalities meet their development goals and plans within a five-year timeframe. In order to accomplish proper coordination and alignment of development activities within a municipality, synergy, alignment, and coordination between LED and IDPs should take precedence.

4.3.3.5 South African Local Government Role in LED

Local governments in South Africa play an important role in the economic development of their communities. Local economic development (LED) is one of the basic legislative responsibilities and essential strategies for local government to enhance their local communities, according to the Constitution of the Republic of South Africa According to Houghton, Dlamini, and Mthembu (2013), LED as a development strategy is acknowledged and recognised as an important function of local governments. Local governments, particularly municipalities, have developmental duties to provide basic services to local communities within their domains in order to alleviate poverty, stimulate economic growth, and generate job opportunities, thereby improving the quality of life for all. Local governments in South Africa have a constitutional obligation to play a critical role in supporting social and economic development, as stated in the Constitution and the *White Paper on Local Government of 1998*, which firmly enshrines municipalities' developmental responsibilities. Both the Constitution and the White Paper on Local Government encourage municipalities to take the lead in promoting LED as a means of creating jobs and eliminating poverty.

Section 152 of the Constitution mandates that local governments provide democratic and accountable governance to local communities, ensure the provision of sustainable services to communities, promote social and economic development, promote a safe and healthy environment, and encourage community and community participation in local government

matters. In addition, Section 153 of the Constitution stipulates that one of the developmental tasks of all municipalities is to establish and manage their administration, budgeting, and planning procedures in order to prioritize basic community needs and promote social and economic development. According to the *White Paper on Local Government (1998)*, local governments should focus on three primary developmental outcomes, by providing sustainable household infrastructure and services, establishing functional and integrated local communities, and fostering LED and community empowerment and redistribution. Local government must be developmental in nature (White Paper on Local Government, 1998). Integrated development planning and budgeting, performance management, and communication with local citizens and partners are three strategies proposed in the White Paper to assist municipalities in becoming developmental in implementing LED programmes.

The *Local Government: Municipal Systems Act (32 of 2000)*, which builds on the White Paper on Local Government to create a new planning framework for developmental local government, further reflects local government's developmental goal. According to the *Local Government: Municipal Systems Act (32 of 2000)*, municipalities are responsible for promoting social and economic growth, assuring access to affordable services, and encouraging local community involvement in municipal affairs. The Act establishes the principles, structures, and procedures that municipalities must follow in order to fulfil their developmental responsibilities. The Act requires municipalities to engage in an integrated development planning process to develop an Integrated Development Plan (IDP), which will assist local governments in achieving their goals and carrying out their developmental responsibilities as outlined in the Republic of South Africa's Constitution. According to section 25(1) of the Act, each municipal council must, within a prescribed period after the beginning of its elected term, adopt a single, inclusive and strategic plan, which links, integrates and coordinates plans and take into account proposals for the development of the municipality. LED is included in the IDP, which describes the municipal council's development priorities and objectives. All municipalities in South Africa are required to develop an LED plan and include it in their IDP. Local governments employ LED as one of their strategic tools for fulfilling their developmental duties. The LED agenda in South Africa is

not voluntary nor solely a local government effort, but a constitutional requirement, unlike in other nations (Kamara, 2017; Hofisi, Mbeba, Maredza & Choga, 2013).

Meyer (2014); Triegaardt (2007) suggest that local government is responsible for creating an enabling environment for economic development. The primary function of local government in development is to provide a favourable environment for all of its citizens and businesses to flourish through the LED strategic plan, which takes a balanced approach to pro-growth and pro-poor policies (Meyer, 2014). To put it another way, local governments should create an environment that encourages businesses to thrive and prosper, resulting in the creation of jobs, the reduction of poverty, and the improvement of living standards in local communities. This implies that the local government should seek out and develop new opportunities to strengthen the local economy. As a result, local governments should adopt policies and programmes to promote LED in their jurisdictions. Local governments should also play the role of regulator, which has become increasingly important as more private enterprises have emerged and is a crucial function in terms of economic development that is best suited to local governments (VNG International, 2007). The National Framework for LED in South Africa, published in 2006, identified three important roles for local government in LED (SALGA, 2010; DPLG, 2006):

- To provide leadership and direction in policymaking (by-laws and processes to regulate land in manner that reduces the costs of doing business and maximises the involvement of people in the local economy);
- To administer policy, programme and projects (the core function of any body or structure responsible for LED is to co-ordinate and maximise the impact of programmes and projects with respect to growth and development); and
- To be the main initiator of economic development programmes through public spending, regulatory powers, and (in the case of larger municipalities) their promotion of industrial, small business development, social enterprises and cooperatives.

Sekhampu (2010) argues that local government can assume different roles in promoting LED such as coordinator, facilitator, stimulator and entrepreneur. These can ensure that local

government, municipalities in particular, create enabling environment for economic development. Thus, local government commonly fathomed that they are but one of many role players involved in LED promotion. Sekhampu (2010: 47) summarises the roles of local government in LED as follows in Table 4.3 below:

Table 4.3: The Role of Local Authorities in LED

THE ROLE OF LOCAL AUTHORITIES IN LED	
ROLE	DESCRIPTION OF THE ROLE
Coordinator	In this role, the municipality acts as a co-ordinating body. An important tool for co-ordination is the Integrated Development Plan (IDP), which draws together the developmental objectives, priorities, strategies and programmes of a municipality. The IDP can be used to ensure that LED initiatives are co-ordinating with other municipal programmes, and approximately linked to national and provincial initiatives.
Facilitator	In this role, the municipality improves the investment environment in the area. This could be done through streamlining development or improving planning procedures and zoning regulations.
Stimulator	In this, role municipalities stimulate business creation or expansion. The municipality may provide premises at low rentals to Small, Medium and Micro enterprises (SMME's), or compile brochures on local investment opportunities, or promote a particular sector or activity in a key venue.
Entrepreneur	In this role, the municipality takes on the full responsibility of operating a business enterprise. A municipality can also enter into a joint venture partnership with the private sector or an NGO.

Source: Sekhampu (2010: 47)

4.3.4 Challenges Faced by LED within Local Government in South Africa

Local government has contributed significantly to the realization of a number of social and economic development advances in South Africa since the new democratic local government system of governance was established in 2000. The majority of local communities now have access to a wide range of services and economic opportunities because to LED. Despite the success made thus far, local governments continue to face a number of challenges in planning and promoting LED. Despite specific mandates, local governments in South Africa have been unable to successfully promote and implement LED to address poverty, unemployment, and stagnant economic growth and development. The failure of the local government to promote LED and provide basic services as intended has resulted in severe public scrutiny. Houghton *et al.* (2013) highlighted that a couple of inherent challenges that face LED in South Africa which LED policy needs to recognise include lack of technical and financial resources, economic collapse, absence of sufficient services, and poverty. In general, the South African local government faces substantial obstacles that impede the growth and development of local communities. These difficulties are a representation of the country's challenges in the local government system.

According to Koma (2012), the local government sector is currently confronted with a slew of challenges and bottlenecks stemming from high poverty and unemployment rates, a scarcity of skills needed to drive local economic development, a lack of administrative capacity, and ineffective policy implementation. Kamara (2017) argue that poor performance as far as LED is concerned in South Africa is mainly associated with shortage of resources, lack of capacity and limited experience by local government to promote LED. International trends and events such as rapid globalisation, urbanisation, technology advancements, and the growing global competitive environment exacerbate these issues (Koma, 2014). LED's reputation and significance in South Africa have been harmed by these flaws and limited results (Kamara, 2017). According to Kamara (2017), some of the strategic difficulties bedevilling LED deployment in South Africa include a lack of expertise at the local government level, a lack of finances for LED, insufficient

LED methodology for planning, and poor network coordination. The lack of LED coordination within local government further undermines this developmental objective (Khambule, 2018).

Local government, particularly in the country's local municipalities, is currently in a situation of crisis due to difficulties such as a lack of skills and capacity, which jeopardize its ability to fulfil its constitutional tasks (Kamara, 2017). According to Khambule (2018), local governments have been unable to meet citizens' demands due to inherent inability to plan for development, with major inabilities attributed to a lack of capacity within local municipalities, a lack of skilled LED practitioners, a lack of understanding of local economies, a lack of funding for LED, and a lack of integration between local authorities, communities, and the business community. Furthermore, difficulties of local governance such as political intervention, inadequate political leadership, inefficient bureaucracy, and open corruption harm local governments by degrading their institutional capability and arrangements (Khambule, 2018; Van der Byl, 2014). This demonstrates that local governments in South Africa face a slew of issues that thwart good and successful LED planning and deployment. As a result, if LED is to be effective, it must first acknowledge and solve these fundamental challenges. Furthermore, LED activities should focus on poverty reduction and job creation in order to grow the local economy and improve the living standards of local populations.

4.3.5 The Current State of Local Government in South Africa

Since the new democratic local government regime in 2000, local government has undoubtedly contributed to substantial social and economic growth in South Africa contributing to a number of notable social and economic development accomplishments. A majority of communities in the country now have better access to a wider choice of essential services, as well as more possibilities to participate in the economy. Local government was assigned a crucial developmental role in reconstructing local communities and environments under the new regime, as the foundation for a democratic, integrated, wealthy, and non-racial society (Siddle & Koelble, 2016). Most individuals in the country now have access to a wide range of basic services supplied by local government, notably local municipalities, including basic services

such as power, water, sanitation, roads, housing, and waste management. Municipalities in the country provide almost all of the developmental services that people receive, possibly because they are seen as the service points nearest to them. Local governments, on the other hand, have faced a slew of obstacles since the concession that have jeopardized their ability to grow and deliver services to disadvantaged local areas (Madumo & Koma, 2019). The growing number of protests across the country reflects residents' dissatisfaction and frustration with local governments' failure to offer appropriate basic services. Additionally, some local governments have recently been in the spotlight and under investigation for all the wrong reasons, such as maladministration and corruption.

Despite the important role that municipalities have played in the new democracy, crucial aspects of the local government system are in distress. Municipal performance across the country continues to show significant flaws and inadequacies in meeting its constitutional and legislative requirements; for example, according to the Auditor General's 2017 Report, only 13% of municipalities had clean audits in the 2016/2017 fiscal year (Madumo & Koma, 2018; Auditor-General 2018). According to Brand (2018), the Auditor General's Report indicated that over 30% of municipalities are in such a bad financial state that they are no longer sustainable. According to Siddle and Koelble (2016), one-third of the country's municipalities are considered dysfunctional. As a result, the majority of these towns are unable to carry out their constitutionally mandated development responsibilities. Madumo and Koma (2018) further maintain that most local municipalities in provinces such as Kwa-Zulu Natal, Mpumalanga, and the North West are currently under administration and are managed by administrators appointed by their provincial governments due to their failure to comply with Section 152 of the *Constitution of the Republic of South Africa*. The effectiveness of municipal performance can be measured primarily against these legislative and the constitutional prescripts. As a result, the ideal functioning municipality can be judged against such constitutional metrics.

Lack of proper financial and management skills, political meddling, infighting in councils, lack of political will, and failure to fill key personnel roles are all factors that contribute to poor performance and failure of towns (Brand, 2018). The political leadership of a municipality is

crucial to its efficient operation. The emergence of new political alliances and elites, as well as party political factionalism and polarization of interests over the previous few years, have all contributed to the continuous deterioration of municipal functionality. These contestations among local elites contaminate relationships at the local level. The Department of Cooperative Governance and Traditional Affairs (CoGTA) identified massive service delivery and backlog challenges, poor communication, lack of accountability, a paralyzed political administrative interface, political instability, corruption, and fraud as key issues attributed to local government failures. Inadequate internal controls, financial governance, maladministration, community unrest, protests, poor involvement of civil society organizations, and inadequate institutional capacity due to a lack of technical skills were among the other issues (Madumo & Koma, 2018; Madumo, 2012; CoGTA, 2009). According to a CoGTA memorandum of 2014, institutional incapacity and widespread poverty have harmed the local government project's long-term viability, resulting in major service breakdowns in some cases. The memorandum went on to explain some of the issues that local governments face which include the following (Siddle & Koelble, 2016; CoGTA, 2014):

- A collapse in core municipal infrastructure services in some communities, resulting in inadequate provision of services; slow or inadequate responses to service delivery challenges are in turn linked to the breakdown of trust in the institutions and councillors by communities.
- Inadequate public participation and poorly functioning ward councillors and committees.
- The viability of certain municipalities is a key concern, with the low rate of collection of revenue continuing to undermine the ability of municipalities to deliver services to communities.
- Municipalities need to be driven by appropriately skilled personnel and their correct placement, but there are far too many instances both of inappropriate placements and skills not measuring up to requirements.
- Widespread instances of rent-seeking and corruption amongst public representatives and business.

These flaws create a gloomy picture of how local government fails to fulfil its constitutional purpose. Today, the public perceives local government as a domain of government beset by administrative, governance, capacity, and political flaws that have resulted in corruption, fraud, maladministration, and poor service delivery (Siddle & Koelble, 2016). These contestations among local elites contaminate the relationships at the local level. The democratisation of local government, as envisioned in the Constitution of the Republic of South Africa and the White Paper on Local Government, is now laden with community dissatisfaction due to poor system institutionalization, service delivery, and political governance. In many municipalities, a culture of patronage and nepotism has become so pervasive that the formal municipal accountability system has become inefficient and unavailable to many inhabitants. Thus, despite a number of notable achievements, South Africa's local government trajectory has been untenable to a greater extent and smooth to a lesser extent over the last two decades since 2000. Today, the local government system has a low level of citizen confidence and trust. This has been publicly demonstrated in a series of community protests in recent years, which might be interpreted as a symptom of residents' alienation from local authority.

4.4 CONCLUSION

This chapter provided a review of literature on rural entrepreneurship development and local economic development (LED) from South African perspectives. This covered understanding entrepreneurship and rural entrepreneurship, entrepreneurial challenges facing rural entrepreneurs, and policies and strategies for supporting entrepreneurship in the country. The chapter also provided an insight into the nature of LED practice and policy environment in the country. The South African government has recognised rural entrepreneurship and entrepreneurship in general, as one of the key national priorities for economic development of local communities. This recognition is supported by wide range legislation, policies and strategies both for promoting rural entrepreneurship development and LED in order to address the challenges of poverty, employment, economic disparities, income level, wealth and migration. Additionally, rural entrepreneurship development is considered as an important tool for socio-economic development of local communities through LED in the country. Despite this

acknowledgement, rural entrepreneurship faces countless barriers that inhibit entrepreneurial activities to take place, thereby affecting efforts to promote and implement LED. These challenges include lack of access to finance, lack of skills or capacity, lack of access to markets, stiff regulations, stiff competition, lack of or poor infrastructure and crime amongst others. These barriers create an unfavourable entrepreneurial environment for rural entrepreneurs to start, run and manage their enterprises. Local government, local municipalities in particular, should play a significant role in creating enabling environments for rural entrepreneurship development and growth as well as LED promotion and implementation in South Africa. However, persistent LED challenges should be addressed in order for local municipalities to realize this important constitutional obligation. Local municipalities in the country face LED challenges such as shortage of resources, lack of capacity and skills, ineffective policy implementation, poor coordination, high poverty levels and a high unemployment rate. The next chapter provides the analyses and interpretation of data collected in the Mogalakwena Local Municipality.

CHAPTER 5: DATA PRESENTATION, ANALYSIS AND INTERPRETATION

5.1 INTRODUCTION

This chapter provides the presentation, analysis and interpretation of the data collected on the implications of rural entrepreneurship towards local economic development (LED) within the Mogalakwena Local Municipality in Limpopo Province. The study covered the three service delivery areas (SDAs) with entrepreneurial activities, namely Mokopane, Mapela and Bakenberg, which are predominantly rural in nature. The focus was on entrepreneurial activities situated mainly in the rural setting, thus 54 rural entrepreneurs who met the requirements for this study were interviewed through questionnaire. Additionally, one official from the Municipality's LED Unit, one official from Small Enterprise Development Agency (SEDA) and one from Limpopo Economic Development Agency (LEDA) were also interviewed based on a semi-structured interview schedule. The chapter is divided into five sections, including an introduction on themes concerning the rural entrepreneurship and its implications towards LED in Mogalakwena Local Municipality. The characteristics and significance of rural entrepreneurship are analysed in section two. Determination of the challenges that rural entrepreneurs face is provided in section three, while section four provides the nature of LED in Mogalakwena Local Municipality. Section five of this chapter analyses the implications of rural entrepreneurship towards LED.

5.2 RURAL ENTREPRENEURSHIP: CHARACTERISTICS AND SIGNIFICANCE

This section provides the views of rural entrepreneurs as well as key informants from Mogalakwena Municipality, SEDA and LEDA about the characteristics and significance of rural entrepreneurship in Mogalakwena Local Municipality. The study area has a variety of entrepreneurial activities both in the rural and urban settings. However, the study focuses on entrepreneurial activities located and taking place in the rural areas of the Municipality. In this study, the characteristic analysis of rural entrepreneurship includes issues such as remoteness

(location) of enterprise, entrepreneurial traits, motivation, status of business, source of funding or capital, years of operation and profile of rural entrepreneurs in the Mogalakwena Local Municipality. Similarly, the analysis of the significance focuses on the potential of rural entrepreneurship towards poverty alleviation, employment creation, economic growth, income generation, value or wealth creation, migration and overall living standards in the Mogalakwena Local Municipality.

5.2.1 Characteristics of Rural Entrepreneurship in Mogalakwena Local Municipality

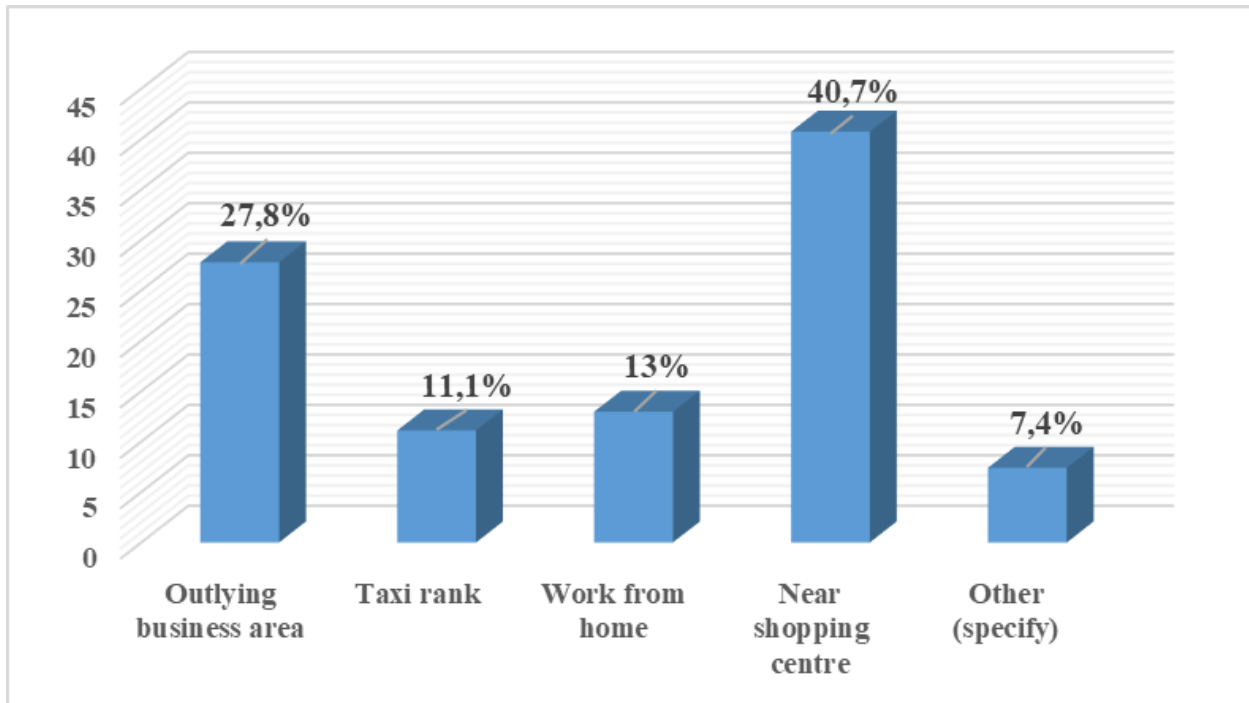
The analysis below constitutes findings from the study on the characteristics of rural entrepreneurship in Mogalakwena Local Municipality. Rural entrepreneurship can be characterised by various factors such as size, area of operation, status, activities involved, attributes of entrepreneurs, or rural distinctiveness. Additionally, rural enterprises have distinct characteristics, which provide unique opportunities and challenges compared to enterprises situated in urban settings. Rural enterprises are considerably influenced by entrepreneurship environmental factors in which they operate. Hence, entrepreneurial success in rural areas can be influenced by these interrelated factors. In explaining the characteristics, there are six subsections, namely area (location) of operation of the enterprises, number of employees employed by the enterprises, status of enterprises, entrepreneurial sectors or activities, entrepreneurial traits of entrepreneurs and motivation for engaging in entrepreneurial activity, which are presented as follows:

5.2.1.1 Area of Operation of the Enterprises

Rural entrepreneurship involves entrepreneurship emerging from the rural setting and setting up of enterprises in the rural areas. Rural entrepreneurs in this study were required to indicate where in the area their businesses were located to determine their remoteness. Remoteness of rural areas can present challenges or opportunities for entrepreneurs and influence entrepreneurial activities. Thus, the findings show the location or area where rural enterprises operated in the Mogalakwena Local Municipality (Figure 5.1). Majority (40.7%) of the rural entrepreneurs

operated their businesses near the shopping centre, while 27.8% operated in outlying business areas situated within the rural setting. Other rural entrepreneurs (13%) indicated that they operated their businesses from home and 11.1% operated near the taxi rank. These findings show that rural enterprises are more adept at entrepreneurial activities, which are directly linked to their surroundings, and it is through such entrepreneurial activities that they choose to own and operate businesses in such areas.

Figure 5.1: Area of Operation of Enterprises



This confirms Mtisi and Muranda's (2016) argument that a rural enterprise is a venture whose primary location is in a rural setting. Rural enterprises located in the peripheral areas are often disadvantaged in terms of access to the required entrepreneurial inputs and resources or services such as infrastructure, transportation or telecommunication facilities. Korsgaard and Muller (2015) argue that rural entrepreneurship involves an intimate relationship between the entrepreneurial activity and the place where it occurs and draws on the distinctive resources. Some of the factors considered for locating their enterprises included accessibility, security, availability of economic opportunities, prospects for growth, skills base of the area and

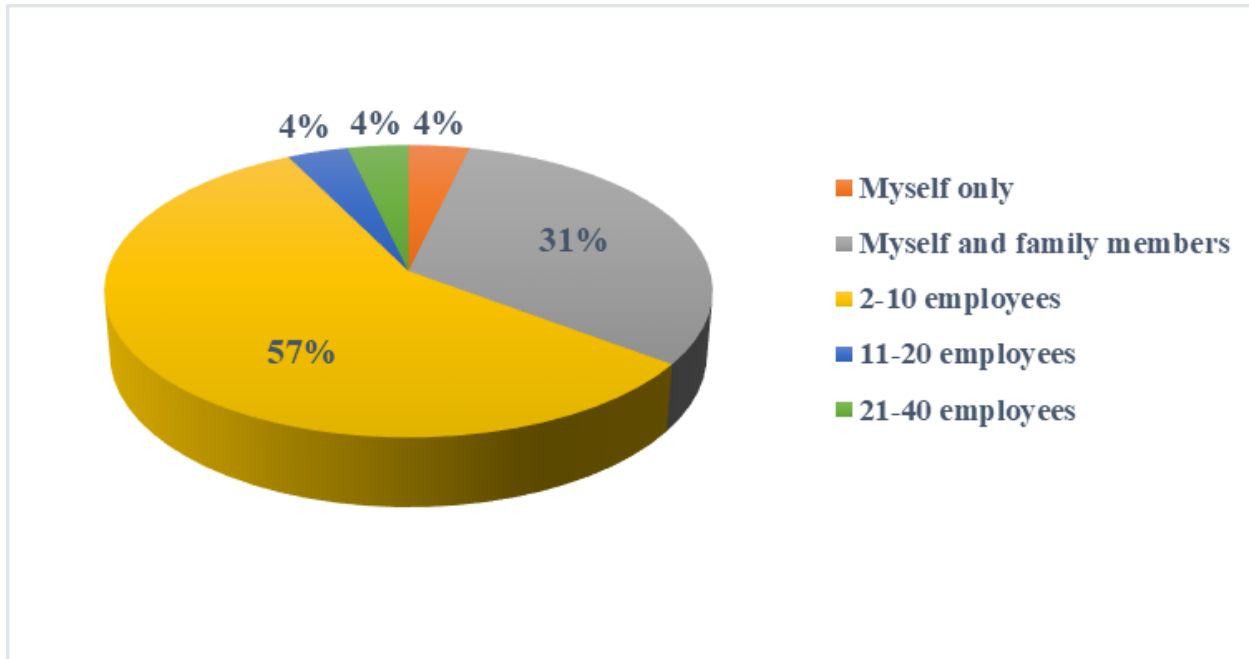
competition. These factors are consistent with the location theory. The Economic Location Theory is more concerned with the location of economic activities and why such activities are located in that particular location. According to the Economic Location Theory, the choice of location is determined or influenced by various factors and characteristics of the desired location such as market accessibility, economic or entrepreneurial activities and availability of resources. Space also produces geographical benefits, such as the ease (or difficulty) of access to a location and the abundance (or scarcity) of raw materials. The goal of Economic Location Theory is to provide an explanation of how and why economic activity is distributed and positioned in space. In this study, the Economic Location Theory attempts to explain the distribution and placement of entrepreneurial activities in a rural setting as well as the relationships between the many aspects of economic activity. Given both the theoretical and empirical findings, rural enterprises are businesses that are situated in predominantly rural settings near shopping centres and primarily serving the rural populace. This suggests that entrepreneurs frequently make context-specific decisions about where to locate their enterprises, and that the complexity of these decisions is frequently influenced by numerous behavioural, social and geographic variables. These factors are therefore critical to the rural entrepreneurial growth and success within the Municipality.

5.2.1.2 Number of Employees within the Enterprises

Rural enterprises are often considered as small or micro businesses as compared to their urban counterparts. Rural enterprises can also vary in terms of their scale of business. Rural enterprises are mostly small or micro businesses, also known as survivalists, because a majority of them employ less than 10 people (Mtisi & Muranda, 2016). The findings reveal that a majority (57%) of rural entrepreneurs in this study employed between 2 and 10 people in their business, and 31% indicated that they ran their businesses with family members or relatives in the Mogalakwena Local Municipality (Figure 5.2). Meanwhile, 4% of rural entrepreneurs who ran the business themselves without employing anyone, on the other hand 4% employed between 11 and 20, while another 4% of rural entrepreneurs employed 21 and 40 number of people respectively. Employees can be all persons who are employed by the enterprise under a written employment

contract in exchange for a wage or salary. If all of a company's operations are handled by individuals categorized as working proprietors, then the company cannot have any employees (i.e., sole traders or partnerships). The total number of individuals employed includes both workers and self-employed business owners.

Figure 5.2: Number of Employees



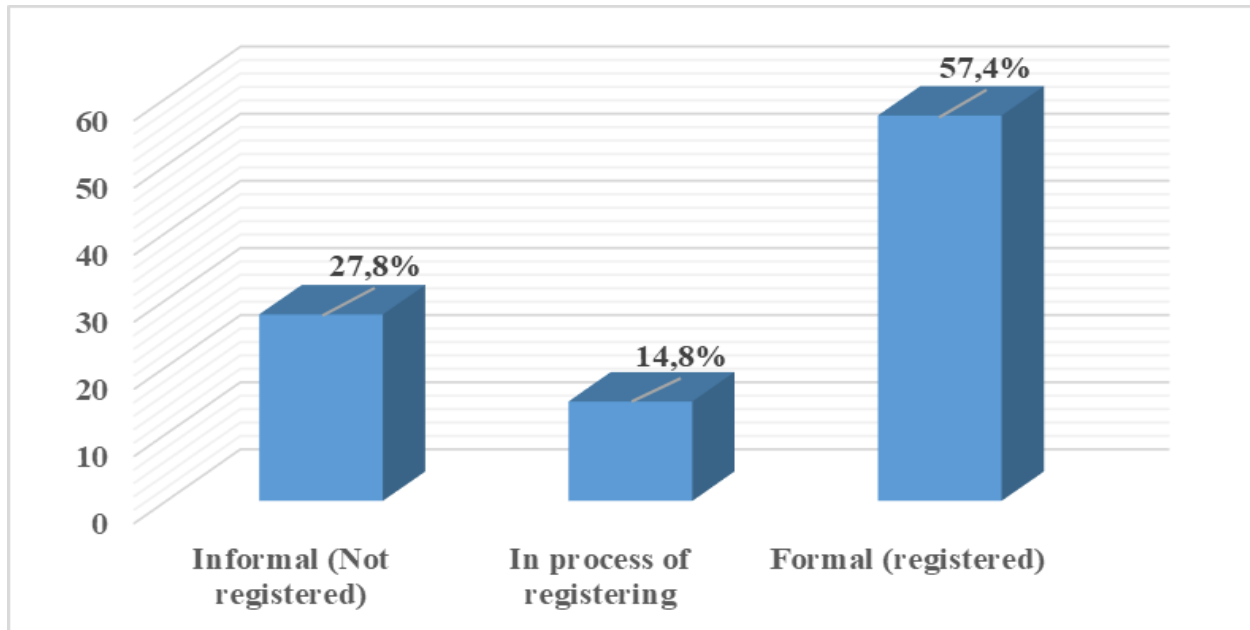
The findings conclusively suggest that most of the rural enterprises in Mogalakwena Local Municipality are either micro (survivalists) or small enterprises. This confirms an argument by Mtisi and Muranda (2016) that rural enterprises mainly employ less than 10 employees. Rural enterprises are often considered to be small and micro businesses that employ between 0 and 50 employees compared to their urban counterparts, which are disaggregated into micro enterprises with less than 10 employees and small enterprises with between 10 and 50 employees. Thus, it can be concluded that rural entrepreneurship in Mogalakwena Local Municipality is characterised by small and micro enterprises (survivalists). Rural enterprises in the study area are classified as small and micro enterprises because they employ less than 50 employees. The size of rural enterprises is not surprising considering the nature of the entrepreneurial environment and typologies of enterprises that exist in rural settings. According to the Economic Location

Theory, the number of employees within rural enterprises is influenced by the choice of location where the business is located and the nature/size of the enterprises (whether formal or informal). Officials of Mogalakwena Local Municipality, SEDA and LEDA stated that the majority of businesses in rural areas within the municipality are mainly survivalists or informal in nature, indicating that often individuals who start an informal business usually do so because they are out of work and do not have any other means of generating income. Although a labour supply is essential, the weight given to labour when choosing a location varies greatly by industry. Few businesses will be indifferent to labour matters, even in cases where it is not a major concern. A business will typically want to be sure that a business location has an adequate supply of the types of workers needed for its business. However, it is crucial to understand that an enterprises' evaluation of a potential location may not depend only or even primarily on pay levels, employee attitude, turnover rates, fringe perks, absenteeism and rival business competition. All of these have an impact on productivity, and employers are mostly concerned with striking a balance between worker productivity and labour costs. These aspects can be some of the factors that influence the number of employees within a rural enterprise.

5.2.1.3 Status of Rural Enterprises

Rural enterprises are often characterised by their informality. It is more common for entrepreneurs to engage in informal entrepreneurial activities in most rural areas. The findings depict the nature or status of rural enterprises, whether they are informal (not registered) or formal (registered) or in the process of registering in the Mogalakwena Local Municipality (Figure 5.3). The majority (57.4%) of rural entrepreneurs in the study indicated that their businesses were registered, while 27.8% of the enterprises were not registered. Nearly 15% of rural enterprises were still in the process of registering their businesses. Registered enterprises are considered formal businesses, while unregistered enterprises are informal businesses. If an enterprise operates at a rural setting or has rural-related goals, it is considered as a rural enterprise.

Figure 5.3: Status of Enterprises



These findings suggest that a majority of the rural enterprises in the Mogalakwena Local Municipality were formal businesses that were legally registered. This is in contrast with the argument by Mtisi and Muranda (2016) that most rural businesses or enterprises are mainly informal in nature. The finding is also contrary to the views of officials from SEDA and LEDA that most businesses within the municipality are mainly informal. Furthermore, SEDA official elucidates that most businesses around Mogalakwena Local Municipality are not formally registered (mainly for survival), owned by foreign nationals, and are dominated by liquor outlets. SEDA official attributed this to business set-up and dissipating entrepreneurship culture to the dramatic changes that occurred post-1994. On the other hand, LEDA official revealed that, there were 170 SMMEs formally registered as proprietary companies only and 59 registered as cooperatives on their database between 2018 and 2019. However, the Municipality official also indicated that businesses that are more informal exist (with high proportions) within the municipality. This shows that the nature of rural enterprises can be influenced by the rurality of the location where enterprises are located. Formality of these rural enterprises may provide advantages and opportunities to access formal business support, finance from financial institutions, infrastructure from the municipality and other operational inputs and equipment,

while unregistered businesses may be disadvantaged in this regard. Thus, it is important to transition informal enterprises into formal status to ensure equal access to market opportunities and inclusion within the rural economy. Formalisation of rural enterprises is important in order to achieve economic growth and development in the rural areas.

5.2.1.4 Entrepreneurial Sector/Activity

Rural enterprises tend to be characterised by their unique activities. Rural enterprises can vary greatly in terms of their activities such as farming/agriculture, manufacturing, general trading, wholesale, construction or repairs. Thus, the findings demonstrate the categories or sector of rural enterprises in the Mogalakwena Local Municipality (Table 5.1). Majority (16.7%) of rural entrepreneurs in this study engaged in auto repair activities such as motor mechanics, spares, panel beaters, scrapyards, towing services, tyre repair and plant hire services, while 13% engage in manufacturing activities such as sand and bricks, tombstones and concrete. On the other hand, 9.3% of rural entrepreneurs engaged in wholesale trading such as hardware, butchery and supermarket, while 7.4% engaged in agriculture/forestry and 5.6% in beauty and fashion. Other entrepreneurs (27.8%) engaged in entrepreneurial activities such as health (surgeries), funeral parlour, taxi, welding and hospitality, while 11.1% engaged in fast food activities.

Table 5.1: Entrepreneurial Sector/Activity

Entrepreneurial Sector	Frequency	Percent	Valid Percent	Cumulative Percent
Wholesale trade	5	9.3	9.3	9.3
Construction	5	9.3	9.3	18.5
Manufacturing	7	13.0	13.0	31.5
Agriculture/forestry/fishery	4	7.4	7.4	38.9
Beauty and fashion	3	5.6	5.6	44.4
Repairs	9	16.7	16.7	61.1
Fast food	6	11.1	11.1	72.2
Other (specify)	15	27.8	27.8	100.0
Total	54	100.0	100.0	

Though it is argued by Mtisi and Muranda (2016); Mugobo and Ukpere (2012) and Smallbone (2009) that agriculture is generally recognised as the main economic activity of rural areas, auto repairs and services are the main entrepreneurial activities in Mogalakwena Local Municipality. Furthermore, these findings suggest that rural entrepreneurship in Mogalakwena Local Municipality is characterised by a wide range of entrepreneurial activities. However, SEDA official cautions the recent trend of the dominance of liquor businesses as well as mushrooming of enterprises owned by foreign nationals in rural areas within the municipality. SEDA and the Municipality officials state that the mushrooming of businesses owned by foreign nationals has immensely affected or destroyed businesses owned by locals, which historically have been thriving over the years. Numerous businesses in the Mogalakwena Local Municipality operate the common microbusinesses usually seen in rural areas. As a result, this existing environment has allowed for the mushrooming of informal enterprises owned by foreign nationals. The informal economy within the Municipality has given foreign entrepreneurs space to own the means of production in rural areas, which includes land.

Another trend observed by SEDA official is the duplication of enterprises serving similar purposes in these rural areas. For instance, there is a great number of automobile repair-related enterprises (scrapyards, spares, towing) within the Municipality. Additionally, SEDA and LEDA officials are concerned that most people are recently more interested in ‘tenderpreneurship’, while those engaged in cooperatives focus mostly on agricultural activities (both livestock and crop farming). The Economic Location theory assists in identifying the fundamental industries on which the Municipality may desire to concentrate its economic development resources and efforts as a strategy to stimulate economic development and growth of rural communities through entrepreneurship development.

5.2.1.5 Entrepreneurial Traits of Rural Entrepreneurs

The rural entrepreneurship process involves the ability of entrepreneurs to recognise an opportunity, take risk, be innovative and familiar with resource mobilisation. These are some of the traits and attributes, which an entrepreneur should possess in order to engage in

entrepreneurial activities. An entrepreneur is a person who is willing to take risks, identify and take advantage of opportunities and create value through innovation and creativity. Thus, the findings provide some of the entrepreneurial traits possessed by rural entrepreneurs in Mogalakwena Local Municipality. Over 85.1% of the rural entrepreneurs indicated that they possess creativity and innovative abilities, while 81.5% are able to take risks and 92.6% of rural entrepreneurs can identify and exploit economic opportunities. Over 94% of rural entrepreneurs have financial management skills, 98.1% have leadership skills, 90.7% have problem solving and 85.2% have interpersonal or networking abilities. The findings present leadership and financial management skills as the personal traits possessed by majority of rural entrepreneurs in the study area.

Table 5.2: Entrepreneurial Traits of Rural Entrepreneurs

	Creativity / Innovation	Risk Taking	Opportunity identifying/taking	Financial Management	Leadership	Problem solving	Interpersonal/ Networking
Percentage	%	%	%	%	%	%	%
Strongly disagree	0	0	0	0	0	0	0
Disagree	0	1.9	0	0	0	0	0
Neutral	14.8	16.7	7.4	5.6	1.9	9.3	14.8
Agree	37.0	20.4	37	35.2	44.4	44.4	55.6
Strongly agree	48.1	61.1	55.6	59.3	53.7	46.3	29.6
Total	100	100	100	100	100	100	100

These findings show that rural entrepreneurs in this study possess a wide range of entrepreneurial traits and attributes such as creativity and innovation, risk-taking, ability to identify and taking advantage of opportunities, financial management, leadership, problem-solving and interpersonal or networking. The findings echo the ideological assumptions of the Personality Traits Theory of Entrepreneurship. The theory assumes that entrepreneurship is developed because the individual

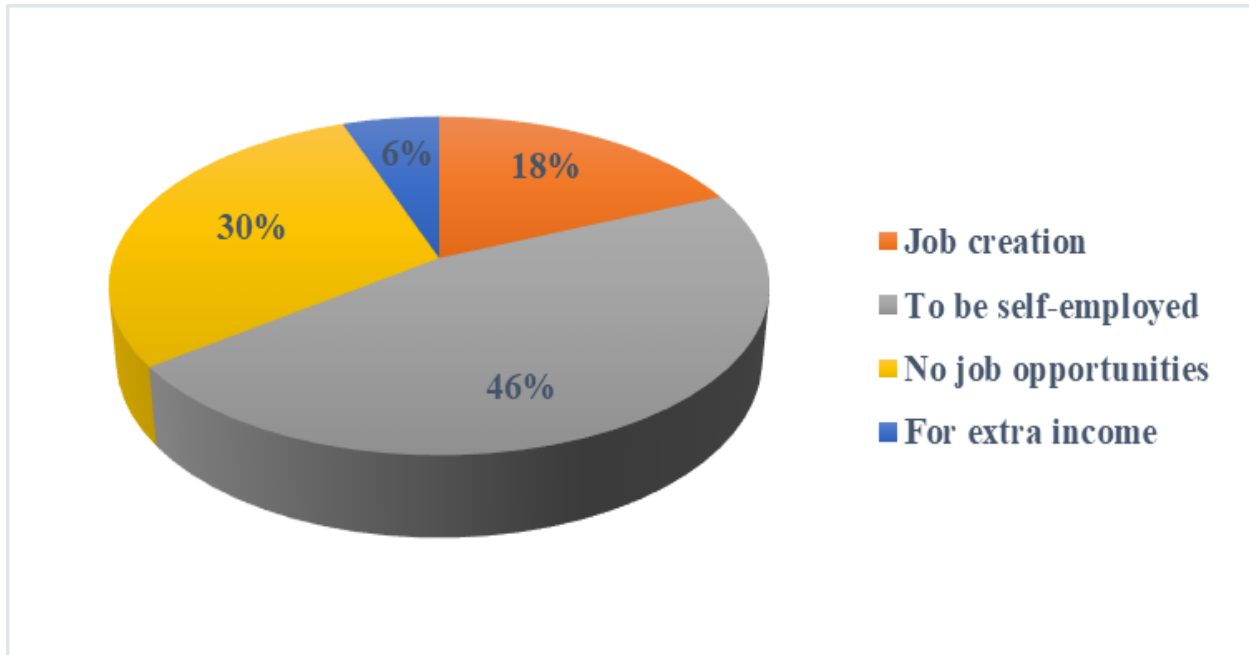
entrepreneurs possess certain specific traits, characteristics, or competencies, which make them to be capable of generating new ideas and creating a new venture. Additionally, Schumpeter's Theory of Entrepreneurship also argued that an individual with the above personal traits is therefore an entrepreneur and that the entrepreneur locates the source of economic change in the personality traits thereby finding opportunities and taking advantage of them to create new ideas and innovation. Masumbe (2018) echoed same sentiments that the entrepreneur's characteristics are as important as the entrepreneurs' motivation to grow one's business and that qualities of the entrepreneur sets one entrepreneur from another. Mogalakwena Municipality, SEDA and LEDA officials also agree that for entrepreneurship to succeed and flourish within the municipality, entrepreneurs must possess specific attributes, skills and qualities to run and manage their enterprises/businesses. Hence, these institutions identified lack of skills and capacity as one of the major obstacles inhibiting rural entrepreneurs who should undergo a skills development programme to assist entrepreneurs in managing and running their businesses effectively and efficiently. Therefore, entrepreneurial traits are considered as necessary prerequisites for entrepreneurs to undertake their entrepreneurial activities successfully.

5.2.1.6 Motivation for Engaging in Entrepreneurial Activity

Entrepreneurs and aspiring entrepreneurs decide to engage in entrepreneurial activity because of different or a combination of motivations. Others is because of pull factors such as the need for achievement, the desire to be independent (self-employed), and opportunities for social development, while others are because of push factors like unemployment, and family pressure. Motivation is often linked to the intentions and actions of an entrepreneur, which is intertwined with entrepreneurial success. The findings provide the views or reasons from rural entrepreneurs in this study on why they chose to be entrepreneurs (what motivates them to be entrepreneurs) (Figure 5.4). Majority (46%) of rural entrepreneurs in this study indicated that they engage in entrepreneurial activities primarily to be self-employed, and 30% indicated that it is because of lack of employment opportunities. Meanwhile, 18% of the rural entrepreneurs indicated that they engage in entrepreneurial activities to create employment opportunities for other people, and only 6% indicated that they engage in entrepreneurial activities to make an extra source of

income. The findings demonstrate that the majority of rural entrepreneurs in Mogalakwena Local Municipality are motivated by various factors to engage in entrepreneurial activities. However, most of them mentioned self-employment as the main motivation. This suggests that a majority of entrepreneurs prefer to be self-employed and to be independent.

Figure 5.4: Motivation for Engaging in Entrepreneurial Activity



In the literature, Masumbe (2018) identified self-employment, opportunities, extra income, self-efficacy, need for personal achievement and financial security among the factors or sources of motivation for rural entrepreneurs to grow their businesses. Masumbe (2018) and Williams and Williams (2012) also indicated that entrepreneurial motivations are often due to personal life experiences of entrepreneurs, particularly with regards to employment history and opportunities in their locality. Schumpeter's Theory of Entrepreneurship purports that an entrepreneur is someone who actively seeks out possibilities and encourages innovation. This is achievable through consistently attempting to alter the status quo, seeking profit, and freely taking risks in order to combine the businesses' resources with the use of novel techniques. Therefore, the entrepreneur is an essential destabilizing component of the environment. The individual's motivation has a significant influence on their actions. It cannot be used as the sole factor in

making decisions. Such actions and intentions can have effects on the entrepreneurial success of an individual entrepreneur. An entrepreneurs' performance is impacted by his/her inherent nature and is a response to his/her personal circumstances. The views of an entrepreneur have an impact on that person's inherent essence. Thus, the decision to start a business is influenced by a variety of factors, including age, education, family history, personal effort and skills, and the environment. Understanding what motivates entrepreneurs to engage in entrepreneurial activity is critical to understanding entrepreneurial process. Exploring these reasons is crucial because various entrepreneurs may have varying effects on economic development, particularly in mostly impoverished rural areas. In addition to deepening academic understanding of entrepreneurship, doing so will also help to better understand why entrepreneurs participate in entrepreneurial activity. However, entrepreneurial motives in the informal sector are less researched than in the formal sector. The next section provides the analysis on the significance of rural entrepreneurship in the Mogalakwena Local Municipality.

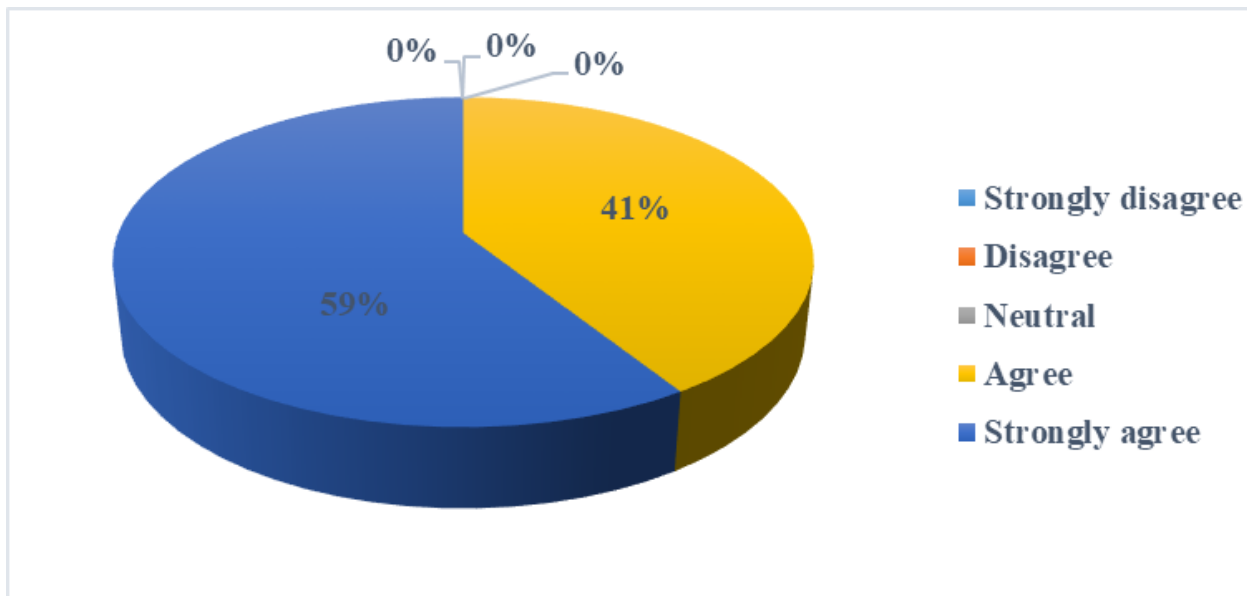
5.2.2 Significance of Rural Entrepreneurship in the Mogalakwena Local Municipality

Rural entrepreneurship plays a vital role to the overall economic development of any country including South Africa. The development and growth of rural development has the potential of addressing many of the economic development dilemmas facing the country. This study section also seeks to determine the significance of rural entrepreneurship in Mogalakwena Local Municipality. Authors such as Lavanya *et al.*, (2014); Saxena (2012); Banerjee (2011) and Petrin (1994) viewed rural entrepreneurship as an important strategy for accelerating the rural development process through poverty alleviation, employment creation and improved economic growth, which ultimately improve the standard of living in rural areas. According to Schumpeter's Theory of Entrepreneurship, an entrepreneur introduces innovations, something new, into the market or economic system to create or bring about economic change in the locality.

5.2.2.1 Rural Entrepreneurship and Poverty Alleviation

Poverty is one of the major development problems many rural communities in the country are confronted with and entrepreneurship has been identified as one of the tools to address such appalling poverty conditions. Poverty is a state in which a person's or a group's resources, particularly their material resources, are insufficient to meet their basic daily necessities. The findings below demonstrate the views of rural entrepreneurs in this study on the significance of their rural entrepreneurial activities towards alleviating poverty in the rural areas within Mogalakwena Local Municipality (Figure 5.5). The figure shows, without any doubt, that rural entrepreneurs agree that their rural entrepreneurial activities play a role in alleviating poverty of the rural people in the municipality. Majority (59%) of the rural entrepreneurs strongly agree and 41% partially agree with the proposition that rural entrepreneurship can alleviate poverty in the rural areas. None of the entrepreneurs and key informants interviewed opposed the assertion that their entrepreneurial activities help to alleviate poverty in the rural areas.

Figure 5.5: Rural Entrepreneurship and Poverty Alleviation



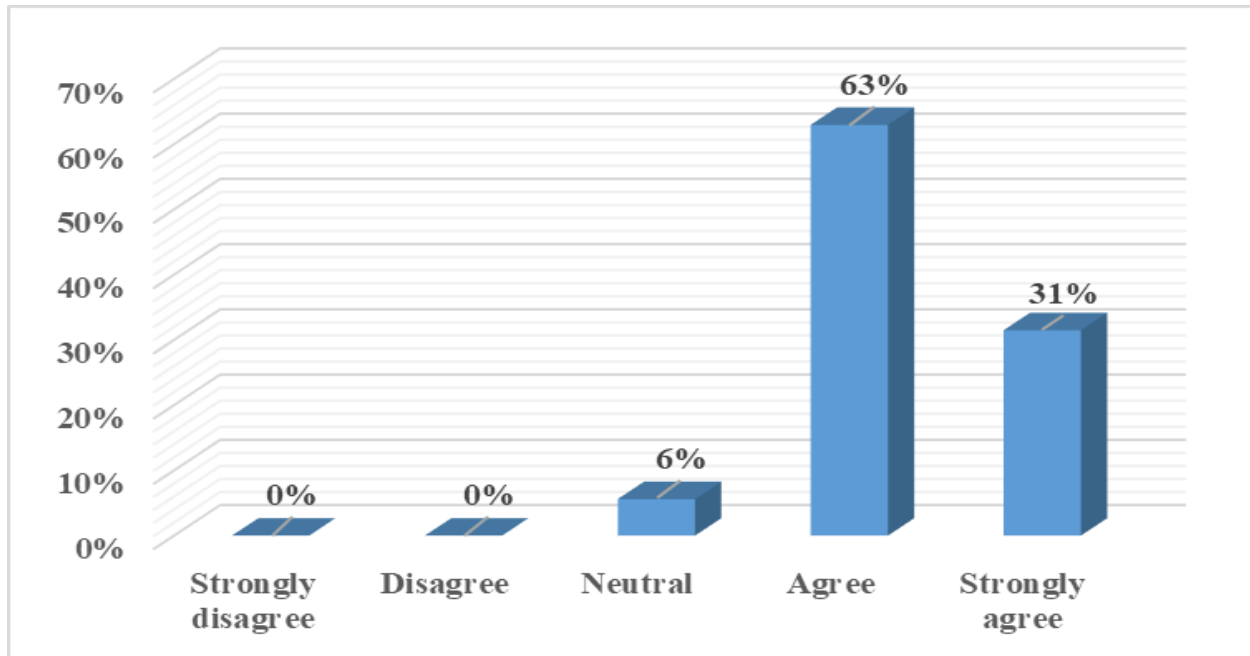
These findings affirm what the literature argued that rural entrepreneurship could play a significant role in addressing the challenge of poverty in rural areas. There is a clear consensus

about the important role entrepreneurship play in alleviating poverty in rural areas, however it may take an extended effort. Authors such as Madzivhandila and Musara (2020); Malecki (2018); Ngorora and Mago, (2018) and Bruton *et al.*, (2013) postulated entrepreneurship as integral to poverty alleviation in rural areas. Mugobo and Ukpere (2012) also supports entrepreneurship as a powerful tool for economic development and poverty alleviation in most disadvantaged rural areas. The finding is also consistent with the sentiments of SEDA and LEDA officials that entrepreneurial activities have the potential to address poverty situations faced by many rural areas within the Mogalakwena Local Municipality. This suggests that entrepreneurship can emancipate the rural poor from persistent poverty conditions. From the Economic Location Theory perspective, poverty alleviation efforts can be affected by geographical disparities and characteristics of the locality of an enterprise, which can influence entrepreneurial processes and activities.

5.2.2.2 *Rural Entrepreneurship and Economic Growth*

Entrepreneurial activities are considered to be one of the driving forces for economic growth of any country. Many rural areas in developing countries including South Africa face economic challenges because of their peripheral location and declining local economies. Thus, the findings provide the perceptions of rural entrepreneurs on whether or not their entrepreneurial activities play a significant role in improving the economic conditions of rural areas in Mogalakwena Local Municipality (Figure 5.6). Majority (94.4%) of the rural entrepreneurs in this study overwhelmingly agree that their entrepreneurial activities play a role in improving the economic status of the area. In contrast, only 5.6% of the entrepreneurs are sceptical of the role that their entrepreneurial activities play towards economic growth of the area, while none of the entrepreneurs opposed. SEDA official reaffirmed that the local economy cannot grow without fostering entrepreneurship development, however, cautions about the mushrooming of enterprises owned by foreign nationals in rural areas within the municipality. SEDA official argues that this situation can have a negative impact on the local economy, particularly because rural enterprises are not properly established in terms of the regulations of the country.

Figure 5.6: Rural Entrepreneurship and Economic Growth

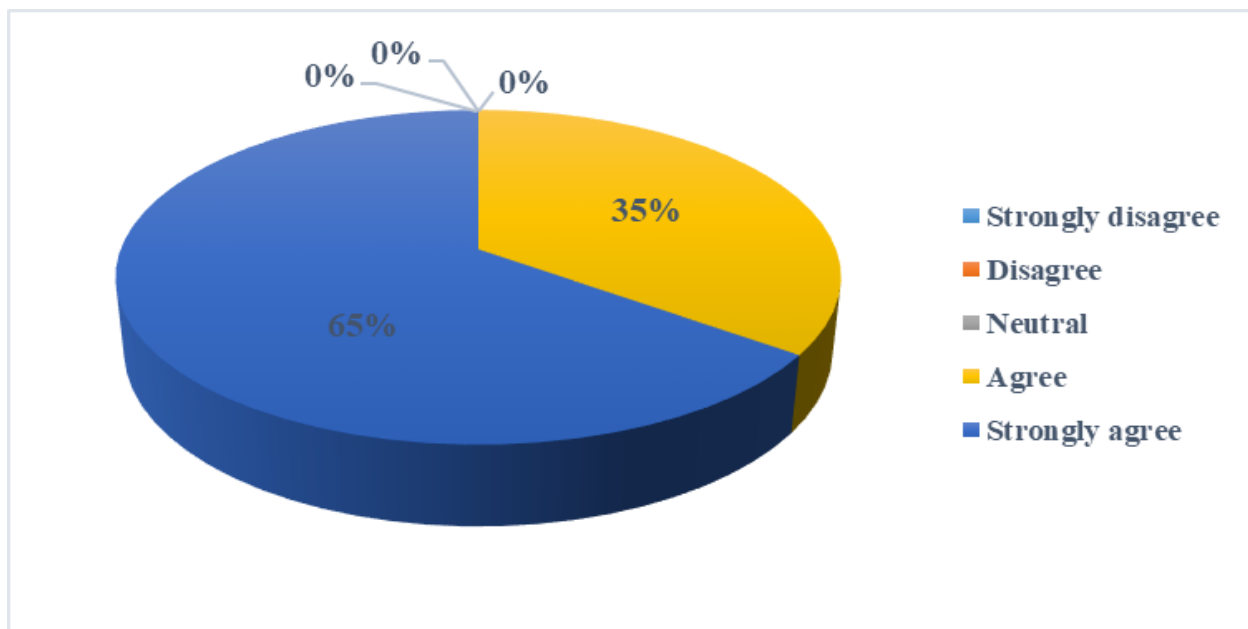


The findings reiterate the argument by Gautam and Mishra (2016) in literature that rural entrepreneurship generates economic opportunities and improves the overall economic growth and development of the local area. Fiseha *et al.*, (2019); Iyigun (2015); Agbenyegah (2013) and Stefanescu (2012) agree that rural entrepreneurship accelerates rural economic development through creation of new businesses, which improve the economic growth of an area. Accordingly, rural entrepreneurship has the potential to have positive effects on the economic development and standard of living of rural people. Entrepreneurship has direct effects on the local economy by creating employment and introducing new products and technologies. Accordingly, rural enterprises can be important stimulators of economic growth and opportunities in rural areas within the municipality. However, the type of firm or enterprise and other factors may influence the effects of entrepreneurship on economic growth and development. The Economic Location Theory assists in identifying the fundamental industries on which the Municipality may desire to concentrate its economic development resources and efforts on as a strategy to stimulate economic development and growth of rural communities through entrepreneurship development.

5.2.2.3 Entrepreneurship and Employment Creation

As rural enterprises are labour intensive, they have the potential to create employment opportunities for rural people, which acts as a mechanism to address social problems caused by the persistent high unemployment rate in rural areas. Thus, the findings demonstrate the opinions of rural entrepreneurs on whether or not the entrepreneurial activities create employment for both them and the rural people in Mogalakwena Local Municipality (Figure 5.7). All rural entrepreneurs in this study agree, where 65% strongly agree, while 35% moderately agree that entrepreneurial activities have the potential to create employment opportunities for the rural people within the municipality. However, SEDA official argued that rural entrepreneurship does not create enough employment opportunities for the rural people. However, LEDA official noted the important role that entrepreneurship can play in addressing the challenge of unemployment in the municipality.

Figure 5.7: Rural Entrepreneurship and Employment Creation



This finding maintains the argument by Mugobo and Ukpere (2012), that entrepreneurship development is a means for generating meaningful and sustainable employment opportunities. Kirabira (2015) and Ansari *et al.*, (2012) also consider entrepreneurship as one of the

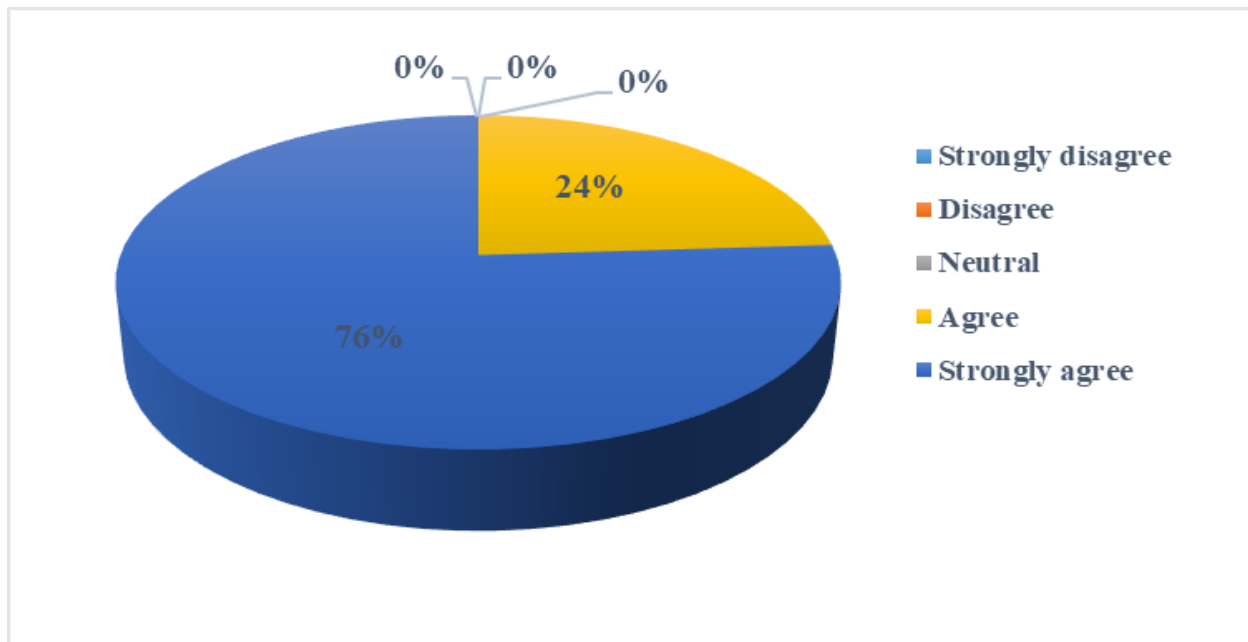
mechanisms for employment creation for the rural populace. Rural entrepreneurship is considered as a key mechanism for alleviating poverty, employment creation and increased growth in economy and prosperity in rural environments. Certainly, rural entrepreneurship creates employment through the creation of businesses, which ultimately improve the income levels of both the entrepreneur and the rural people. When entrepreneurs enter the market, they create new jobs, which help to boost employment growth. Not only do these entrepreneurs generate jobs for themselves, but they also create jobs for others. Rural entrepreneurs start new enterprises, which in turn create jobs for the people who live in the rural areas. Although there is general consensus theoretically about the potential of entrepreneurial activities to create employment opportunities, Mogalakwena Local Municipality, SEDA and LEDA officials accede that the impact of such activities towards creating employment opportunities within the municipality is minimal. In terms of the Economic Location Theory, where there is great concentration of economic activities, exists many employment opportunities for both local and the surrounding communities. Consequently, jobs are created within and outside a particular enterprise from any entrepreneurial activity. Rural entrepreneurship in the Mogalakwena Local Municipality has the potential to create job opportunities for locals, however at low proportions because the majority of the enterprises are small to micro enterprises. Therefore, it can be deduced from the findings that rural entrepreneurship has a higher potential for creating employment opportunities for the rural people or create self-employment.

5.2.2.4 Rural Entrepreneurship and Income Generation

Rural entrepreneurship can increase income for either individuals starting or being involved in an enterprise and their households. To generate income, one has to engage in entrepreneurial activity through self-employment and other employees. Self-employment involves income from one's input in an entrepreneurial activity. The findings demonstrate the perceptions of rural entrepreneurs in the study on whether their entrepreneurial activities were able to generate income for the rural people in the Mogalakwena Local Municipality (Figure 5.8). Rural entrepreneurs in this study all agreed that their entrepreneurial activities played a significant role towards increased income for both themselves and the rural people in the area. Overwhelmingly,

76% of rural entrepreneurs strongly agree that entrepreneurial activities have the potential to improve or increase their income, or even complement their monthly income.

Figure 5.8: Rural Entrepreneurship and Income Generation

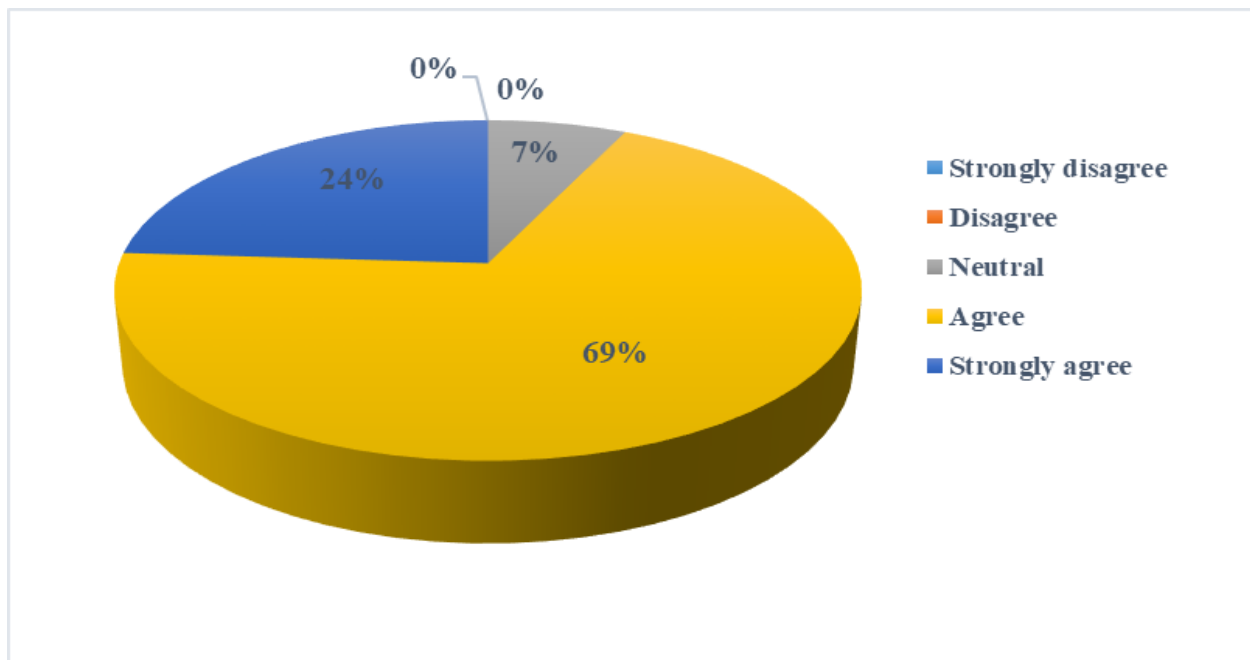


These findings suggest that entrepreneurial activities boost the income level of entrepreneurs and those of their employees. This finding reaffirms Dabson (2001) argument presented in chapter 3 subsection 3.2.2.4 that rural enterprises have the ability to raise the income levels of the rural populace and their well-being. Gautam and Mishra (2016) and Mugobo and Ukpere (2012) also argued in chapter 3 subsection 3.2.2.4 that rural businesses do not only generate employment opportunities to the rural populace, but are also income sources to rural entrepreneurs, which ultimately yield favourable outcomes on income generation and income distribution. According to the Economic Location Theory, the location of economic activity can be a significant factor for generating income. From this view, the location of economic activities offers economic advantages and opportunities that include income generation. It can be deduced from the results that rural entrepreneurship generates and increases income for both the entrepreneur and workers as well as their households thereby improving their standard of living. Thus, entrepreneurship can be a source of income generation for individuals involved in entrepreneurial activities.

5.2.2.5 Rural Entrepreneurship and Overall Standard of Living

Improving the standard of living for the majority of rural communities in South Africa remains a major challenge. However, rural entrepreneurial activities have the potential to improve the overall standard of living of the rural people. The findings reveal the views of rural entrepreneurs in this study on whether or not their entrepreneurial activities contribute to the overall living standard in the rural areas within the Mogalakwena Local Municipality (Figure 5.9). Majority (93%) of the rural entrepreneurs in the study overwhelmingly agreed that their entrepreneurial activities could improve the standard of living of people in the rural areas, while only 7% were sceptical of the role that entrepreneurial activities play towards standards of living.

Figure 5.9: Rural Entrepreneurship and Overall Standard of Living



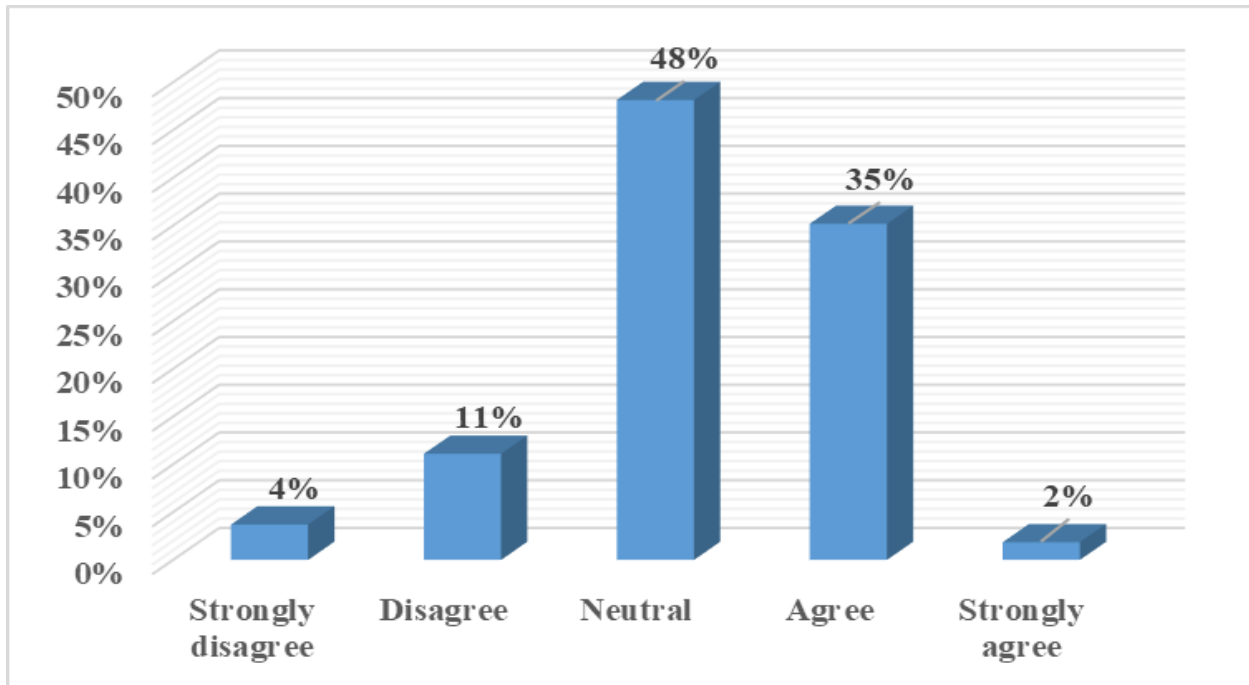
Ngorora and Mago (2018) support these findings that rural entrepreneurship promotes the standard of living of rural entrepreneurs, their families and rural communities. Authors such as Lavanya *et al.* (2014); Saxena (2012); Banerjee (2011) and Petrin (1994) view rural entrepreneurship as an important strategy for accelerating the rural development process through poverty alleviation, employment creation and improved economic growth, which ultimately

improving the standard of living in the rural areas. This suggests that one of the possible ways to improve the standard of living of rural people is by promoting rural entrepreneurship. Rural entrepreneurship improves the standard of living through alleviating poverty, creating employment and improved economic growth in the rural areas. Entrepreneurship does not only benefit the entrepreneur but benefits the wider population in the locality. Theoretical analysis only becomes relevant when Schumpeter's Theory of Entrepreneurship explains how innovation (starting business) might increase profits that in turn encourage copying, which ultimately stops the flow of innovators' earnings. This model was created to demonstrate why entrepreneurs (innovators) are compelled to continuously look for new novelties in order to maintain the flow of earnings and why they must move forward in order to remain standing. As a result, the model encourages us to think of an entrepreneur as a determined person whose hand is compelled by the need for financial gain, which ultimately uplift themselves and others.

5.2.2.6 Rural Entrepreneurship and Migration

Many rural areas in developing countries such as South Africa have or are experiencing out-migration of educated and skilled rural labour to urban centres. The migration of educated, skilled or literate individuals in and out of rural areas has adverse effects on entrepreneurial process, consequently affecting the local economy. Thus, the findings provide the perceptions of rural entrepreneurs in this study on whether or not their entrepreneurial activities play a role in retaining or keeping skilled or educated individuals in rural areas within Mogalakwena Local Municipality Figure (5.10). Majority (48.1%) of rural entrepreneurs in the study are sceptical about whether their entrepreneurial activities play a role in retaining or keeping skilled or educated people in rural areas within Mogalakwena Local Municipality. On the hand, 37.1% of rural entrepreneurs agree that their entrepreneurial activities can help keep and retain, or even attract, skilled or educated people in rural areas, whereas 14.8% disagree with the proposition.

Figure 5.10. Rural Entrepreneurship and Migration



These findings suggest that rural entrepreneurial activities are not seen as one of the ways to keep or retain skilled and educated people in rural areas within Mogalakwena Local Municipality. This finding is in contrast with Yu and Artz's (2009) argument chapter 3 subsection 3.2.2.6 that one of the ways to overcome out-migration is to create or start new rural businesses. It is argued that rural entrepreneurial activities can benefit rural communities by retaining or keeping educated or skilled labour in rural areas. This is in alignment with the Economic Location Theory, which considers geographic disparities in terms of economic opportunities or activities in a locality to be the cause of migration. According to this idea, highly skilled employees can relocate from an area with abundant capital to those with limited capital in order to maximise the value of their skills. Concentration of economic activities such as rural businesses in Mogalakwena Local Municipality most definitely attracts local and external people as well as retaining skilled people. However, most of these rural enterprises cannot provide enough economic opportunities, thus individuals ultimately choose to go to urban centres for better economic opportunities. It is reasonable to assume that individuals will relocate toward locations with the most favourable opportunities. In this sense, individual migration can be seen

as the result of a decision-making process in which perceived push and pull factors are balanced against certain limitations. The economic effects of migration are thus represented in the decisions made by business owners about migration by firm characteristics and the anticipated impact of migration on firm performance. Overall, rural entrepreneurship plays a vital role in improving local economic growth and development through poverty alleviation, employment creation, value or wealth creation, income generation, retaining or keeping skilled workers and improving standards of living. Nonetheless, entrepreneurship can act as a catalyst for economic growth and development through job creation, income generation and poverty reduction within the Mogalakwena Local Municipality. The next section presents the challenges that influence or affect rural entrepreneurship in the Mogalakwena Local Municipality.

5.3 CHALLENGES FACING RURAL ENTREPRENEURSHIP

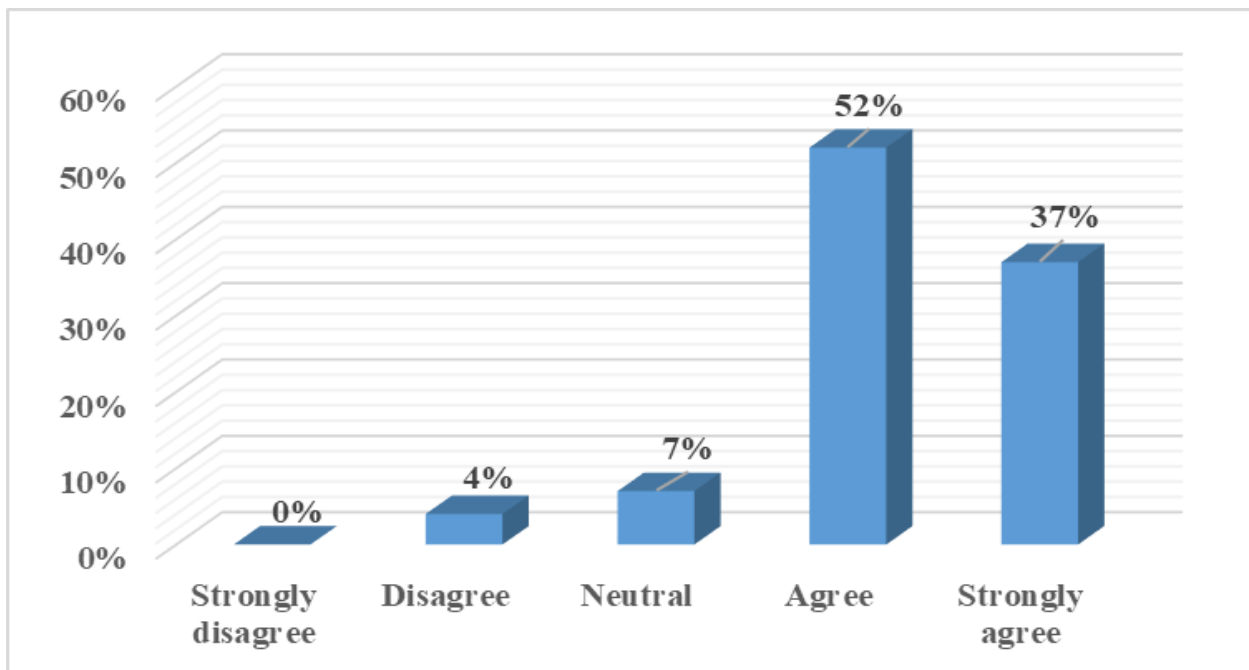
This section provides an analysis of the challenges facing rural entrepreneurship in Mogalakwena Local Municipality. There are numerous challenges that affect rural entrepreneurship growth and development. Rural entrepreneurs were required to explain the extent to which they agree or disagree on the challenges encountered as hindrances to entrepreneurial growth. The challenges provided on the questionnaire included lack of finance, credit or start-up capital/ financial support, small/limited access to markets, lack of networking, stiff competition, corruption and lack of marketing initiatives. Other challenges included lack of equipment, lack of infrastructure (roads, transport, water, electricity), expensive raw materials, crime, government regulations, lack of access to markets, lack of skills (management, business), failure to keep skilled and young employees, ageing labour and lack/cost of technology. However, the analysis of the challenges focuses on lack of finance, credit, capital or financial support; lack of access to market; lack of skills; government regulations; lack of infrastructure; crime; and stiff competition.

5.3.1 Lack of Finance, Credit, Capital or Financial Support

Finance is among the major problems facing rural entrepreneurship. Thus, accessibility of finance remains the major challenge and frustration for the majority of rural entrepreneurs. The findings demonstrate the views of rural entrepreneurs about whether their enterprises are facing

the challenge of lack of finance, capital or financial support and access to credit in Mogalakwena Local Municipality (Figure 5.11). Majority (88.9%) of the rural entrepreneurs in this study agree that they face the challenge of finance, i.e., lack of finance, capital or financial support and access to credit. On the hand, few entrepreneurs (3.7%) indicated that they do not have financial difficulties, while 7.4% is sceptical about their financial status. Additionally, SEDA and LEDA also echoed that most entrepreneurs around the Municipality lack financial support or funds from micro institutions, which makes it difficult for these rural enterprises to thrive and survive. Some of the factors identified were strict or unnecessary requirements, poor financial management (funds not being used for the intended purposes), businesses not willing to repay and gate keeping of resources by government departments or other institutions, which inhibit entrepreneurs to access financial resources.

Figure 5.11: Lack of Finance/Credit/Capital/Financial Support



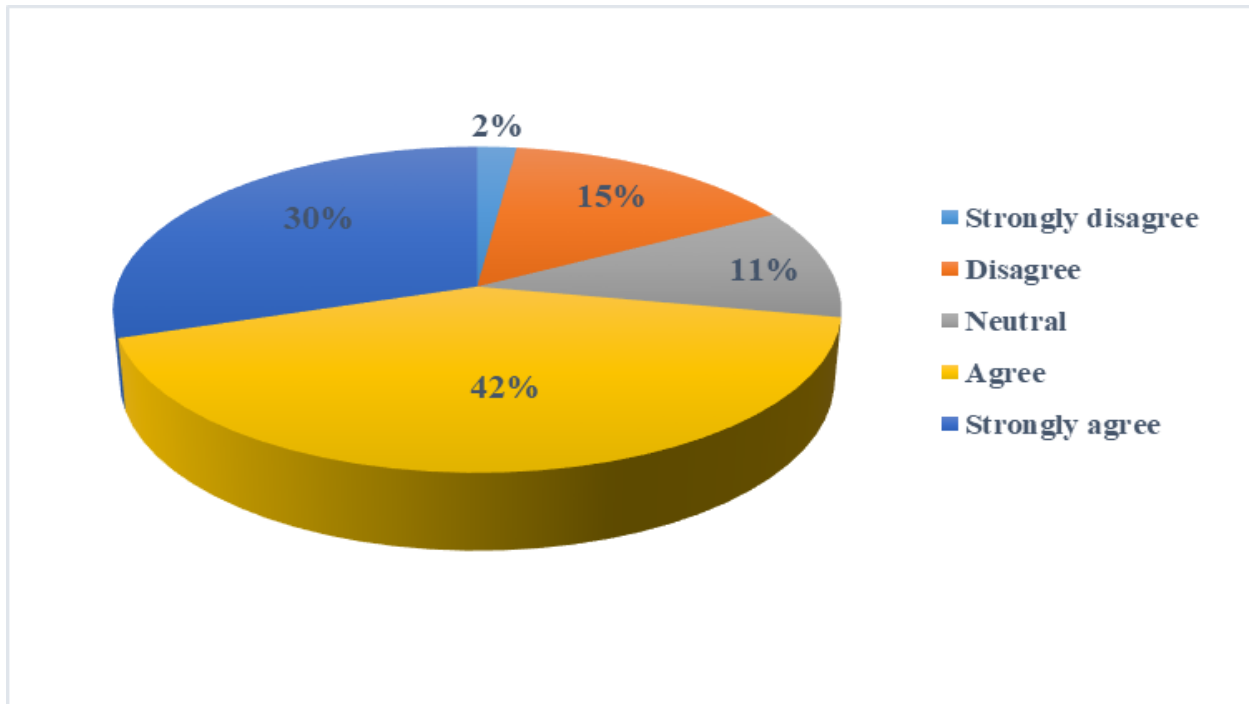
From these findings, it can be concluded that limited access to financial resources is the major challenge negatively affecting the growth and success of rural enterprises in Mogalakwena Local Municipality. These findings echo what Saxena (2012) argued in chapter 3 that a majority of rural entrepreneurs do not have access to external financing due to lack of security and credit

facility in the market. Similarly, the findings affirm the argument by Chimucheka and Rungani (2013); Fatoki and Garwe (2010); Herrington *et al.*, (2009) and Cassar (2004) who stated in chapter 4 that lack of access to finance is one of the most contributing factors associated with low new enterprise creation and their demise in South Africa. According to the Personality Trait Theory of Entrepreneurship, traits of an entrepreneurs have an influence on the financial capital of a business. The personality traits taken into consideration such as optimism, risk tolerance, sense of control, and attitude toward debt have an impact on decisions about personal debt as well as the capital structure of micro and small privately held firms. Some of the financial difficulties stated included lack of start-up capital, lack of credit facility, reduced profits as result of competition pricing of goods and services, and stringent tax laws. Lack of access to finance/capital or credit and financial support are attributed to factors such as enterprises' profile or status, risk profile, procedures or requirements for obtaining credit, lack of credit facility and security, and stringent laws. From these findings, it can therefore be deduced that these factors impede rural entrepreneurs from obtaining financial resources from financial institutions and government structures. Many entrepreneurs still struggle to launch their businesses despite having access to some programmes and support from government and other authorities.

5.3.2 Limited Access to Market

Access to markets is another most frequently cited factor and greatest challenge holding back rural entrepreneurs, according to Mtisi and Muranda (2016); Imedashvili *et al.* (2013); Mugobo and Ukpere (2012); Saxena (2012) and Smallbone (2009). The findings depict the views of rural entrepreneurs in this study on whether they face the challenge of limited or lack of access to markets in Mogalakwena Local Municipality (Figure 5.12). Majority (72%) of rural entrepreneurs in this study agree that they have limited, or lack thereof access to markets, which affect their growth and success. Meanwhile, 17% of the rural entrepreneurs see limited access to markets as a challenge to their business, and 11% are not sure about the challenge of access to market. SEDA and LEDA officials noted saturation of similar types of businesses in one market because of copycats and lack of innovation.

Figure 5.12: Limited to Markets

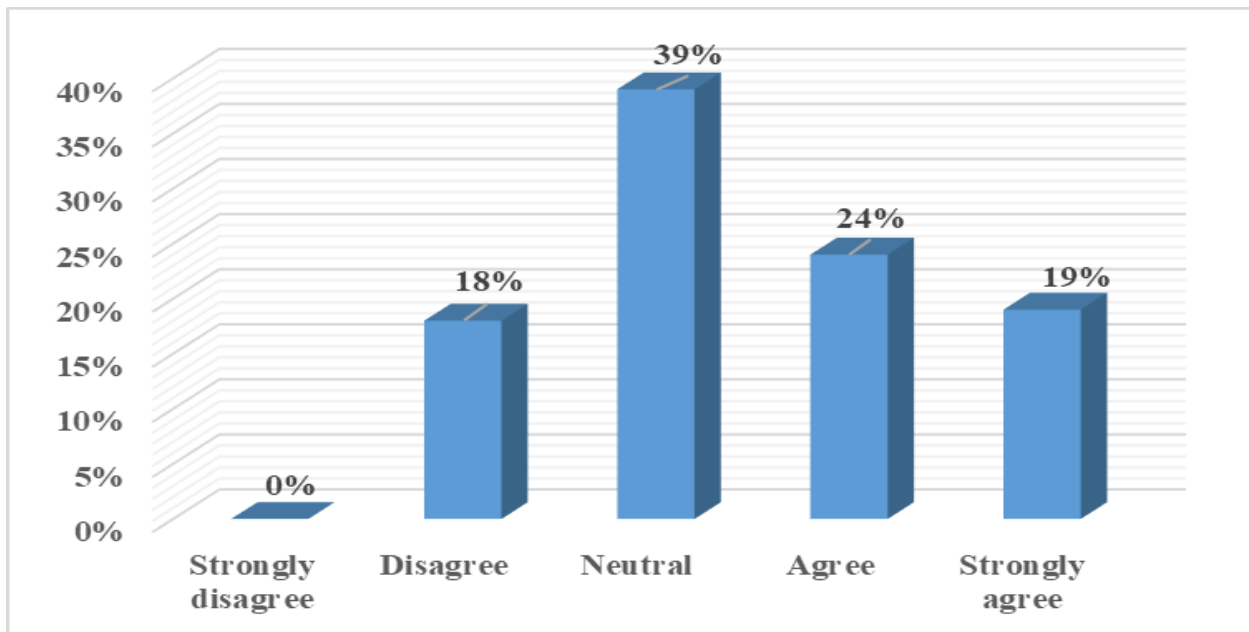


The findings affirm the argument made in chapter 4 by Masumbe (2018); Ngorora and Mago (2018); Malebana and Swanepoel (2015) and Delalić (2014) that most rural entrepreneurs find access to markets as one of the greatest challenges to their entrepreneurial growth. This also supports the view of Mtisi and Muranda (2016); Imedashvili *et al.* (2013); Mugobo and Ukpere (2012); Saxena (2012) and Smallbone (2009) that access to market is one of the greatest challenges to rural entrepreneurs. Therefore, it can be concluded that lack of or limited access to markets is seen as one of the barriers for rural entrepreneurs to succeed in their business ventures in Mogalakwena Local Municipality. The findings are in contrast to the Economic Location Theory, which suggests that the decision to locate a business in a particular locality opens new markets and allows accessibility to the markets for new and existing entrepreneurs. Lack of or limited access to markets influences entrepreneurial growth and profit margins of rural enterprises.

5.3.3 Lack of Skills

Another challenge facing rural entrepreneurs is the lack or shortage of skills in rural areas. Lack of skills is one of the frequently cited challenges facing rural entrepreneurship in South Africa. Hence, the findings provide the views of rural entrepreneurs in this study on whether they saw lack of skills as one of the impediments to the growth and success of their enterprises in Mogalakwena Local Municipality (Figure 5.13). The findings marginally shows that 42.6% of the rural entrepreneurs in this study see lack of skills as one of the challenges encountered in their businesses. On the other hand, only 18.5% of the rural entrepreneurs do not see lack of skills as an impediment in their businesses, and overwhelmingly, 38.9% are sceptical about lack of skills in their businesses. The Municipality, SEDA and LEDA officials also identified lack of skills and capacity as one of the major obstacles inhibiting rural entrepreneurs. Most of the rural entrepreneurs indicated that they do not have basic skills such as management, financial and technical skills required to operate and run their businesses.

Figure 5.13: Lack of Skills



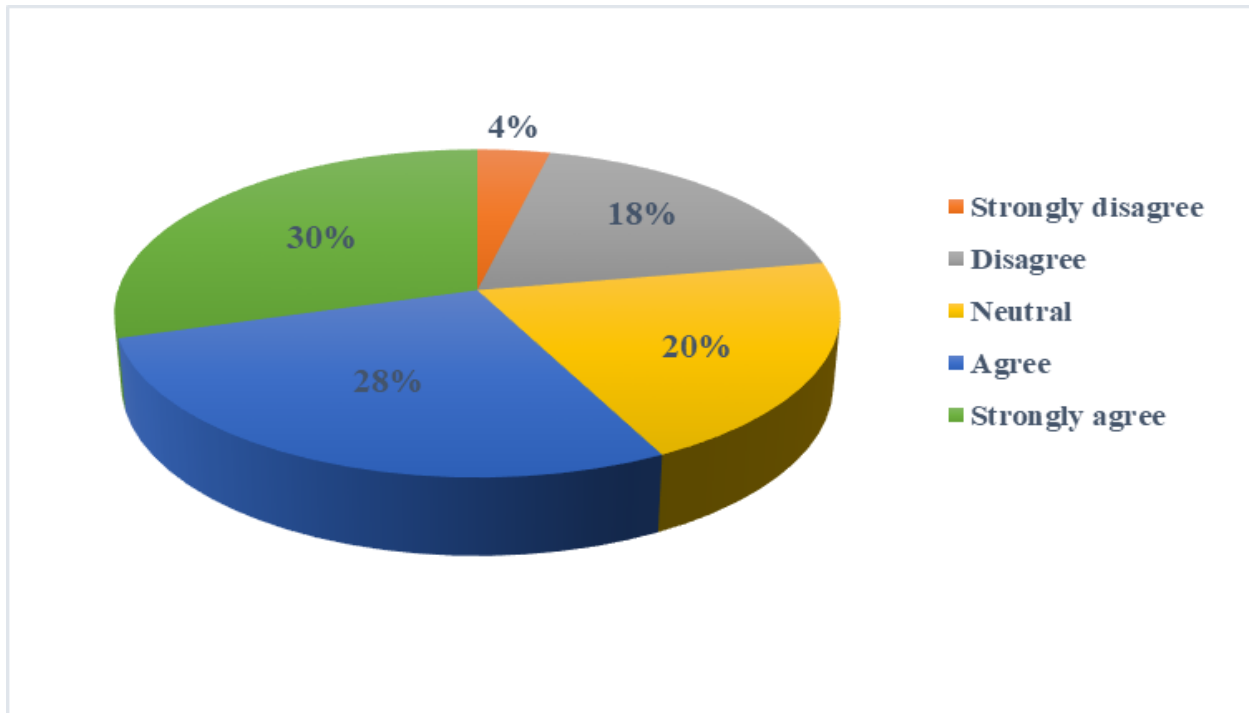
The findings confirm the argument by Fiseha and Oyelana (2019); Sarpong (2012) and Agupusi (2007) in chapter 4 that lack of skills is identified as a common problem for rural entrepreneurs

in the Eastern Cape, South Africa. Lack of skills in particular around the rural areas makes it difficult for enterprises to employ skilled labour, ultimately impeding their growth. Access to skilled labour is considered one of the most frequently cited constraints or challenges on enterprises in rural areas. Rural enterprises are said to employ rural people and rural labour force is characterised by having lower educational levels and formal skills, which negatively affect the entrepreneurial success of rural enterprises. Personality Traits Theory of Entrepreneurship considers traits, attributes and skills crucial in entrepreneurial success of an entrepreneur. Schumpeter's Theory of Entrepreneurship also concurs that entrepreneurs must be able to accept some risk, generate or recognise new business prospects, and possibly also innovate new products and concepts that can be commercialised. Entrepreneurs thrive on having a strong belief in their ability to carry out their ambitions and a sharp eye for invention to spot new items and markets. Appropriate skills are necessary for successfully and efficiently running rural enterprises.

5.3.4 Government Regulations

One of the key government roles is to create a regulatory environment that enables or encourages entrepreneurship development. Most rural entrepreneurs often face a complex variety of regulatory requirements and stringent laws. The findings depict the opinions of rural entrepreneurs in this study on whether or not government regulations and laws constrain their entrepreneurial activities and growth in Mogalakwena Local Municipality (Figure 5.14). The findings reveal that a majority (58%) of the rural entrepreneurs in this study agree that government regulation is one of the constraints to their entrepreneurial efforts, while 22% disagree that they face the challenge of government regulations and laws in businesses. Although they are meant to encourage entrepreneurship or business development, many rural enterprises in Mogalakwena Local Municipality have raised concerns about stiff government regulations.

Figure 5.14: Government Regulations



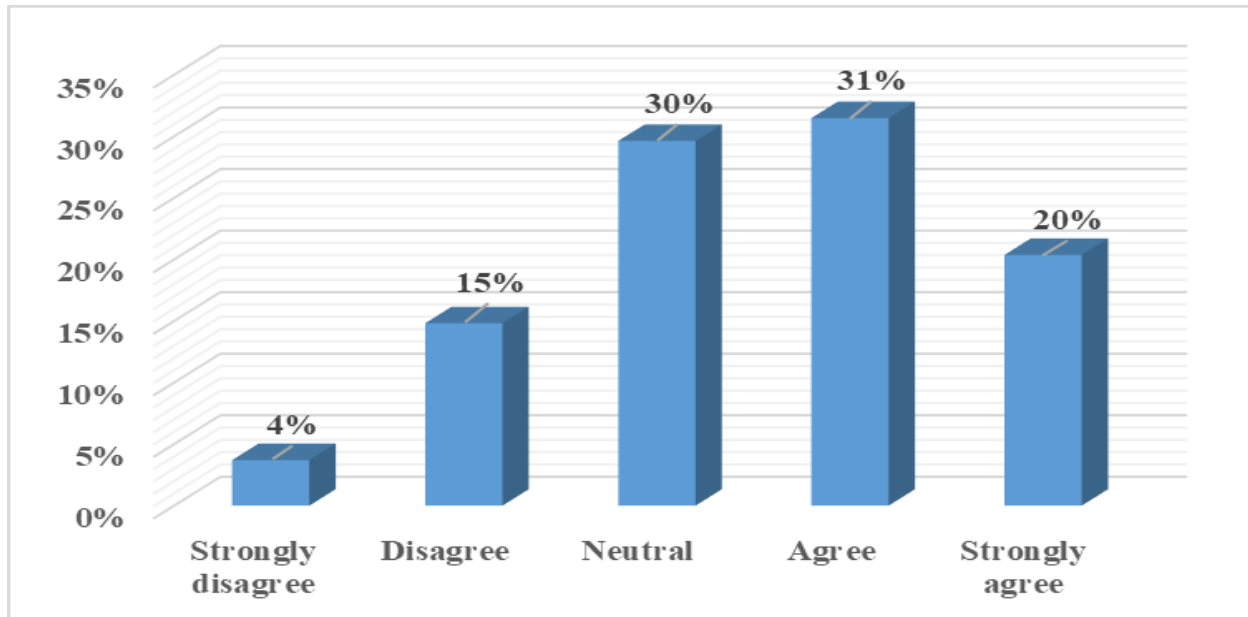
The findings are consistent with the argument of McElwee and Smith (2012) in literature that regulations are seen as a barrier to entrepreneurship and diversification of rural businesses. Fiseha and Oyelana (2019) also argued in chapter 4 that bureaucracy and regulations hamper rural entrepreneurship growth in South Africa. Thus, it can be deduced that government regulations discourage and impede entrepreneurship development and growth in rural areas. Some of the regulatory factors stated include high taxes, levies and other price regulations charged on businesses, which often create an unfavourable environment for rural businesses to operate and thrive. Such regulations create an environment that undermines entrepreneurial activity. In terms of the Economic Location theory, the choice of location by an entrepreneur can be influenced by government regulations. Appropriate regulations can motivate businesses to innovate and boost their competitiveness in the market, and the increased productivity of businesses can offset the expense of compliance. Unfavourable regulatory environment often influences entrepreneurial performance and success. Government regulations may further discourage potential entrepreneurs from starting new businesses because they perceive regulations as negative and stringent. From this analysis, it is expected that government

regulations should create an entrepreneurial environment that is favourable and that fosters rural entrepreneurship development in rural areas. Most businesses are more than willing to invest in an environment that is conducive to business growth. However, the study finds that government regulations have not played a significant role in the success of businesses in Mogalakwena Local Municipality.

5.3.5 Lack of Infrastructure

Infrastructure includes roads, water and sanitation facilities, electricity, telecommunication and business premises. Infrastructure is considerably important because it affects the ability of rural areas to retain and attract businesses as well as people. The lack of infrastructure in a rural setting also presents an impediment for entrepreneurial activities to occur. Thus, the findings demonstrate the opinions of rural entrepreneurs in the study on whether or not their enterprises are affected by the lack of infrastructure in Mogalakwena Local Municipality (Figure 5.15). The findings illustrate that 51.9% of the rural entrepreneurs encounter the challenge of lack of infrastructure where they operate, while 18.5% do not regard lack of infrastructure as a barrier to their entrepreneurial process. Around 29.6% of the rural entrepreneurs in the study are sceptical about lack of infrastructure. The remoteness of many rural areas presents infrastructure challenges, such as transportation and communication to rural enterprises because they are widely scattered, thus the distance to the markets may be substantial.

Figure 5.15: Lack of Infrastructure

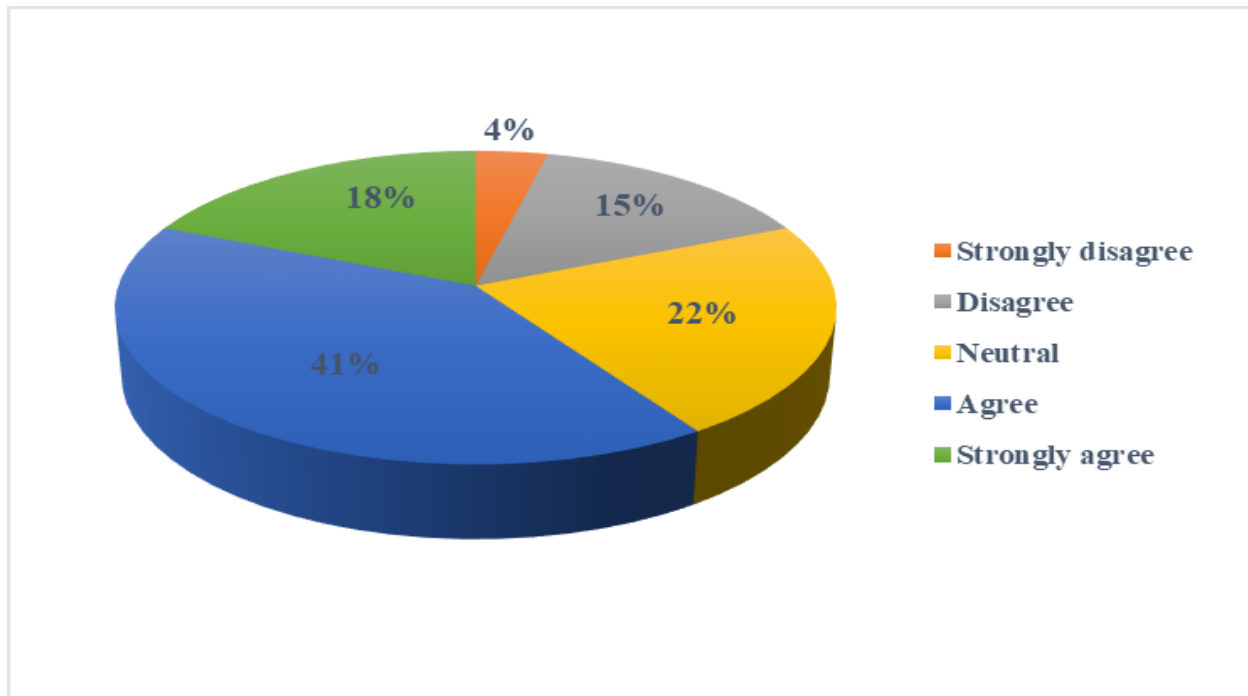


The findings confirm that a majority of rural areas have low levels of public infrastructure, which negatively influences the entrepreneurial activities of most rural entrepreneurs, as argued by Gaal and Frah (2017). Makhathini and Mpanza (2020) indicated that good infrastructure is important towards economic development and growth of businesses in any particular area. These findings portray an entrepreneurial process in rural areas that is influenced by the level and nature of existing infrastructure in the Mogalakwena Local Municipality. The Economic Location Theory considers the impact that the availability of infrastructure has on the success of a business when choosing a location, which ultimately affects the local economy. Availability of infrastructure in a locality plays a fundamental role in rural entrepreneurial processes and achieving economic development. Lack of infrastructure limits rural entrepreneurs from accessing markets and other inputs necessary for rural entrepreneurship development. Thus, the accessibility and availability of infrastructure is essential to accelerate the entrepreneurial process, thereby contributing to the local economy through increased productivity and providing services, which further enhance the standard of living in rural areas.

5.3.6 Crime

Crime is another major hindrance for rural entrepreneurship growth and development. Crime manifests in embezzlement of assets and funds or resources, which leads to low productivity and the demise of enterprises. The findings reveal the views of rural entrepreneurs on whether or not they encounter crime as one of the factors affecting their entrepreneurial activities in Mogalakwena Local Municipality (Figure 5.16). The findings reveal that rural businesses in Mogalakwena Local Municipality are vulnerable to crime such as robbery and fraud. The findings reveal that majority (59%) of the rural entrepreneurs in the study affirmed crime as one of the challenges faced in their entrepreneurial process. A small proportion (19%) of rural entrepreneurs do not see crime as a major impediment to their entrepreneurial activities, while 22% are doubtful or not sure.

Figure 5.16: Crime



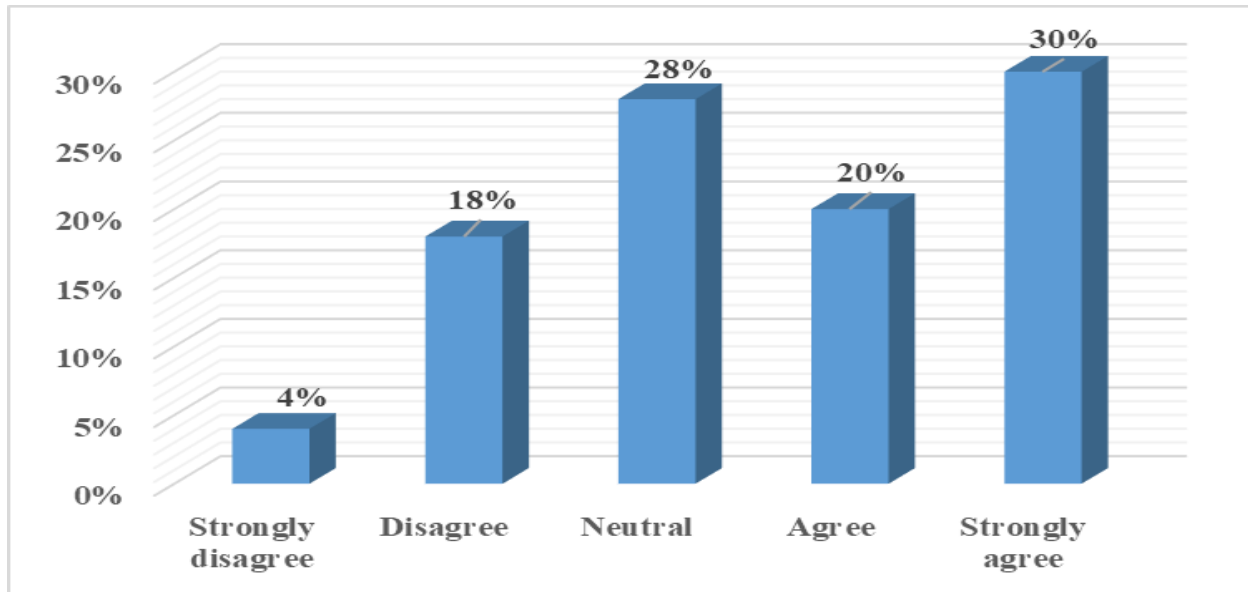
The findings suggest that rural businesses in Mogalakwena Local Municipality are also vulnerable to crime such as robbery and fraud. Accordingly, crime is cited as one of the greatest

obstacles to rural entrepreneurship in Mogalakwena Local Municipality. This is in line with the argument by Fiseha and Oyelana (2019) that crime is one of the major hindrances of rural entrepreneurship growth and development in South Africa. Crime affects rural entrepreneurs through theft of assets and funds thereby increasing costs and resulting in low productivity of entrepreneurial activities. Criminal activities increase security costs, which may reduce profit margins from entrepreneurial activity and diversion of funds meant for further investment in business infrastructure and other inputs. Additionally, crime also erodes human capital leading to emigration of skilled labour, job losses, reduction in external investment and funding opportunities.

5.3.7 Stiff Competition

Competition in a particular market can influence entrepreneurial activities and growth of enterprises in rural areas. Rural entrepreneurs may face stiff and severe competition from their urban counterparts and large-sized enterprises in particular market within an economic environment. Saxena (2012) and Dabson (2001) identified competition as another challenge for entrepreneur entering the new or existing market. The findings demonstrate the views of rural entrepreneurs in this study about whether they face competition as a challenge to their entrepreneurial activities in Mogalakwena Local Municipality (Figure 5.17). Majority (50%) of the rural entrepreneurs in the study area indicated that competition is one of the challenges influencing their entrepreneurial activities. In contrast, 22.1% of the rural entrepreneurs indicated that they do not see competition as a challenge in their entrepreneurial activities, and 27.8% were sceptical.

Figure 5.17: Stiff Competition



These findings suggest that a majority of rural entrepreneurs face intense competition from their counterparts during the entrepreneurship process in Mogalakwena Local Municipality. This argument is consistent with Jayadatta's (2017) view that rural entrepreneurs face stiff and severe competition from other rural entrepreneurs, large sized organizations and urban entrepreneurs, which may result in reduced profits and customer base. Growth and development of rural entrepreneurship is affected by the level of competition in particular markets. Stiff competition is associated with limited markets in a particular rural entrepreneurial environment. One of the factors contributing to competition identified by SEDA official is duplication of businesses in rural areas of Mogalakwena Local Municipality. As results, the market has become highly saturated. From the view of Schumpeter's Theory of Entrepreneurship, innovativeness and the pursuit of competitive advantage are the foundations of dynamic competition in a market. A business' ability to quickly innovate and enhance efficiency depends on its relationships with customers, suppliers and other businesses. From the Economic Location Theory's point of view, the location of a business influences competitive advantage by its impact on productivity, particularly on productivity growth. This suggests that competitiveness in an entrepreneurial environment is determined by productivity. Similarly, a location's productivity and profitability are determined more by how its businesses compete than by the industries in which they operate.

Thus, the nature of competition has great influence on the entrepreneurial processes. The next section focuses on the role of Mogalakwena Local Municipality in promoting and implementation of LED.

5.4 THE ROLE OF MOGALAKWENA LOCAL MUNICIPALITY IN LED

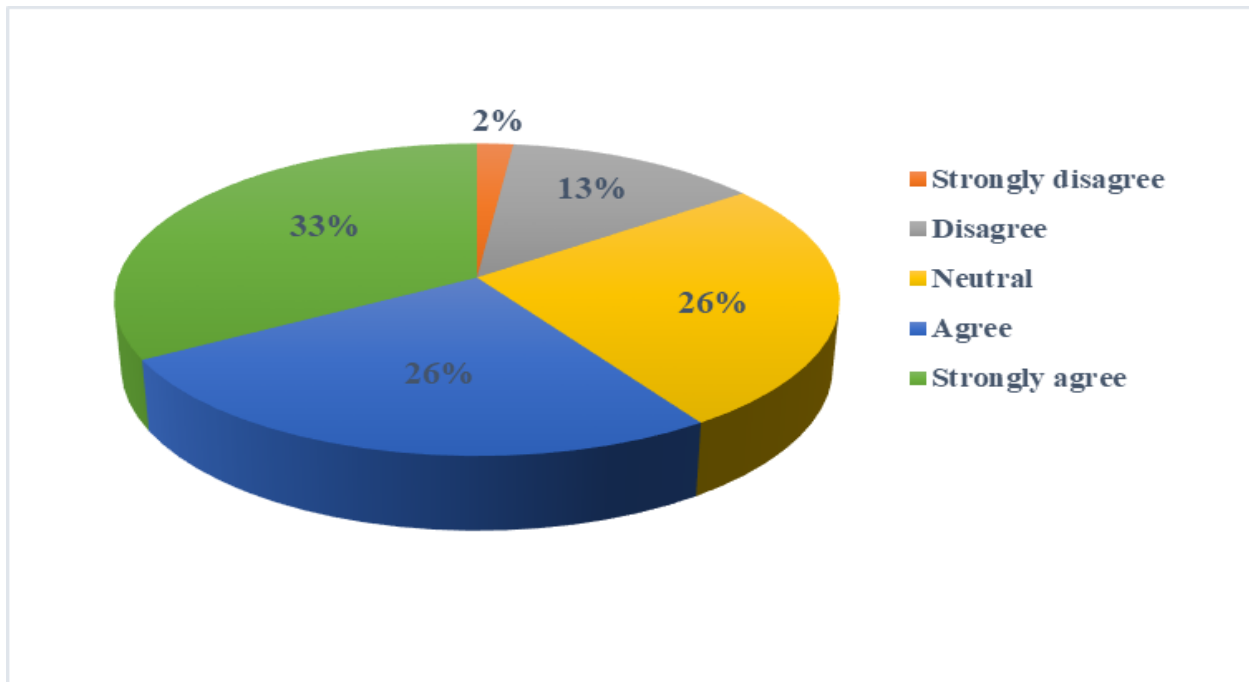
Local governments, particular local municipalities, plays a crucial role in the economic development of their local communities. Thus, local government should ensure that the environment is conducive for economic development to take place. Local governments are seen as important institutions for the development and delivery of services to their local communities within their area of jurisdiction. Accordingly, local government is expected to play a developmental role of providing services and amenities to the local people and improve their standard of living. To achieve this, local governments are required to undertake the process of local economic development. This section aims to provide analysis of the views of rural entrepreneurs about the role that local government play towards LED in Mogalakwena Local Municipality. The analysis focuses on the regulatory, financial support, resource provision and facilitator roles the municipality plays in LED processes.

5.4.1 Regulatory Role

Regulations are some of the key elements that create enabling business environment for entrepreneurial activities to occur. Local government is a lawfully constituted institution with executive authority and powers to regulate local affairs within their area of jurisdiction. Accordingly, Mogalakwena Local Municipality is expected develop regulations and create enabling regulatory environment for LED to occur in the municipality as one of its constitutional roles. The findings depict the views of rural entrepreneurs in the study on whether or not they receive funding or financial assistance from the municipality (Figure 5.18). The findings reveal that 59% of rural entrepreneurs in this agree that local government plays a role as a regulator in LED within Mogalakwena Local Municipality, while 15% disagree and 26% are sceptical of the notion. The municipality emphasised that their obligation is to create a conducive regulatory

environment for local economies to thrive, through regulatory tools such as tax abatements and incentives/rebates, public-private partnerships and by-laws specifically targeting economic development of localities within the municipality. Accordingly, Mogalakwena Local Municipality is expected to develop regulations and create enabling regulatory environment for LED to occur in the municipality within its constitutional powers.

Figure 5.18: Regulatory Role



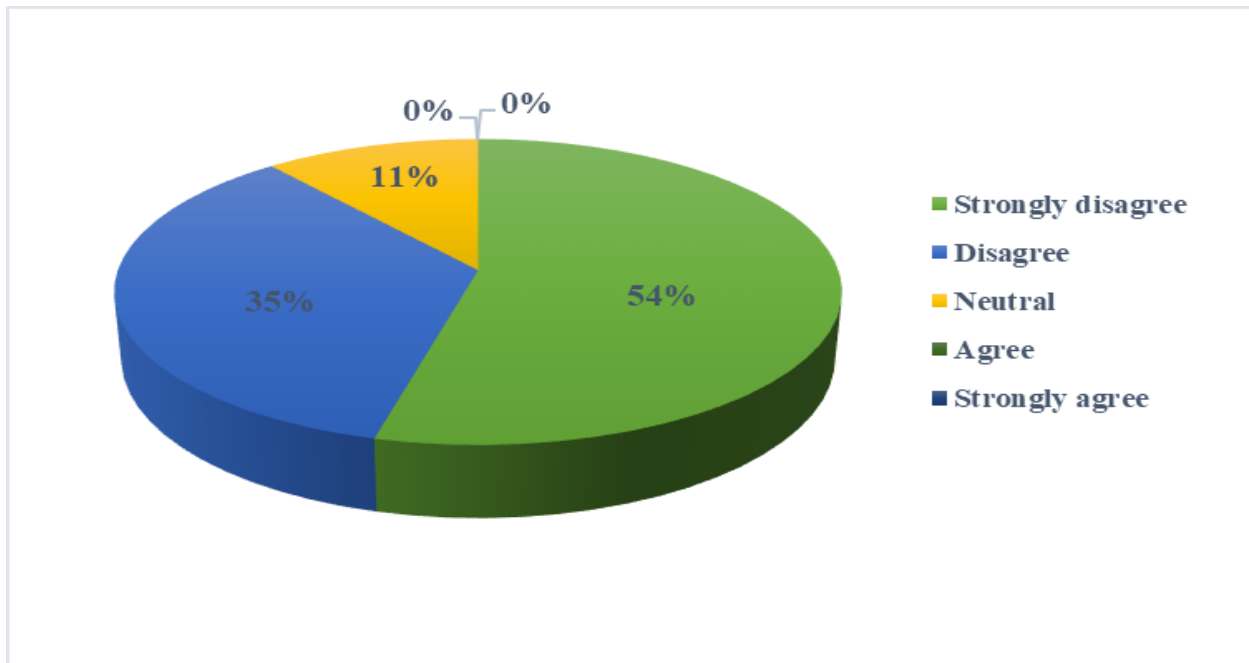
These findings are in line with VNG International’s (2007) argument that local government plays the role of regulator in LED. This suggests that Mogalakwena Local Municipality has an important role to play of creating an enabling regulatory environment for LED within the municipality. The municipality should ensure a conducive regulatory environment for LED activities to take place. Municipalities in South Africa have executive authority to regulate businesses operating within the municipal area. In terms of the Economic Location Theory, the location choice of a business is influenced by the environment, which is vital for enterprises to survive and succeed. Thus, entrepreneurs choose locations with the intention of minimizing the detrimental impact of regulatory risks on their business. Local government regulates services such as land use, infrastructure, taxation of water and sanitation, electricity as well as making by-

laws, which can have an influence on LED activities. Unfavourable regulatory environment often negatively influences LED efforts and success. LED planning and implementation is the custodian of the municipality.

5.4.2 Providing Funding or Financial Support

Access to or lack of funding and financial support can affect LED efforts towards businesses and enterprises in any area. Accordingly, lack of access to finance is one of the main factors inhibiting the growth and development of businesses and enterprises in rural areas, as highlighted earlier in section 5.3.1. The findings show that 89% of the rural entrepreneurs in the study do not agree that they receive any form of financial assistance or funding from Mogalakwena Local Municipality, while 11% are sceptical about financial assistance or funding (Figure 5.19). Institutions such as SEDA and LEDA provide services or support such as the advisory role, dissemination of information through exhibitions, training on basic business management, linkage with financial institutions (what to do when looking for financial support), registrations, business incubations, and financing.

Figure 5.19: Providing Funding or Financial Support



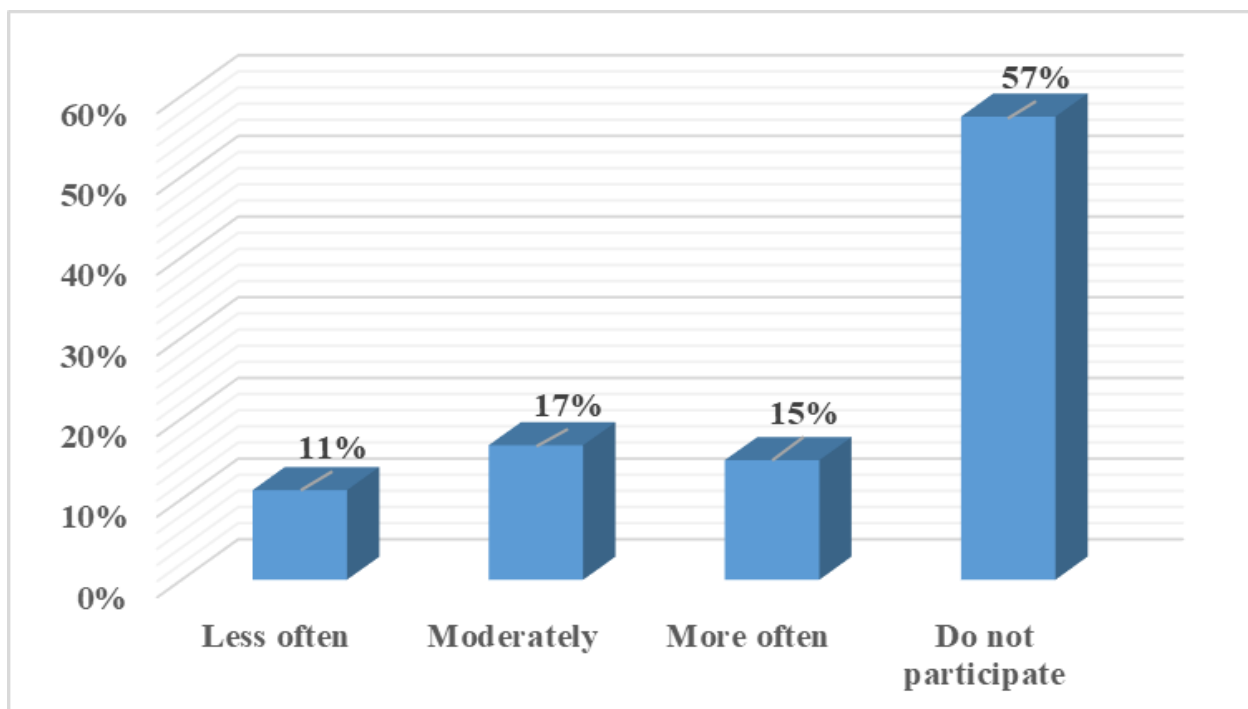
The findings suggest that Mogalakwena Local Municipality does not provide financial support or funding to rural entrepreneurs. This is contrary to the argument that local government, in particular municipalities, provide funding or financial support to encourage entrepreneurship development within their area of jurisdiction. However, the municipality indicated that there is a budget allocation for LED projects and programmes within the municipality and no direct funding mechanism exist within the municipality. Nonetheless, through recent SEDA's Township and Rural Entrepreneurship Programme (TREP) among others, small businesses in the informal economy can receive financial support. This finding reaffirms the lack of access to finance or financial assistance as one of the factors affecting rural entrepreneurs in Mogalakwena Local Municipality as revealed in section 5.3.1. This suggests that the most prominent constraint inhibiting rural enterprises' growth and development in Mogalakwena Local Municipality is lack of access to finance or financial support. Without access to finance or financial support from the Municipality (local government), these enterprises run the risk of not thriving. Rural entrepreneurs stated that little is known about the municipal support and fostering of entrepreneurship development. This could explain why some entrepreneurs are struggling to maintain their entrepreneurial activities within the municipal area. Local government support is vital and the need for other sources of funding is paramount, if municipalities are to champion entrepreneurship development and LED.

5.4.3 Partnerships/Participation

Local economic development (LED) is a participative process and is based on partnerships between local government, private sector, civil society and other government agencies to foster LED. Thus, local government should provide leadership and coordination in promoting and implementing LED and creating enabling environment and structures for partnerships and participation. The findings demonstrate the opinions of rural entrepreneurs on whether or not they participate in any LED forums or partnerships in Mogalakwena Local Municipality (Figure 5.20). Majority (57.4%) of rural entrepreneurs in this study indicated that they do not participate in any LED forums or partnerships, while only 14.8% indicated that they participate more often. Only 11.1% of the rural entrepreneurs participate less often and 16.7% moderately participate in

LED forums or partnerships in the municipality. The municipality indicated that the LED Unit responsible for the coordination of LED activities exists within the municipality. However, SEDA revealed that the LED Unit is not well capacitated and that most LED officers lack necessary skills and qualifications, which often leads to the collapse of LED projects. Additionally, SEDA mentioned that LED officers like working in silos, without actively involving key stakeholders. According to SEDA, rural entrepreneurs are often neglected or totally not involved in LED forums of the municipality and not provided with information regarding LED initiatives and programmes of the municipality. The LED committee within the municipality is seen by SEDA official as an *ad hoc* type of committee, which does not meet on a regular basis.

Figure 5.20: Partnerships/Participation in LED



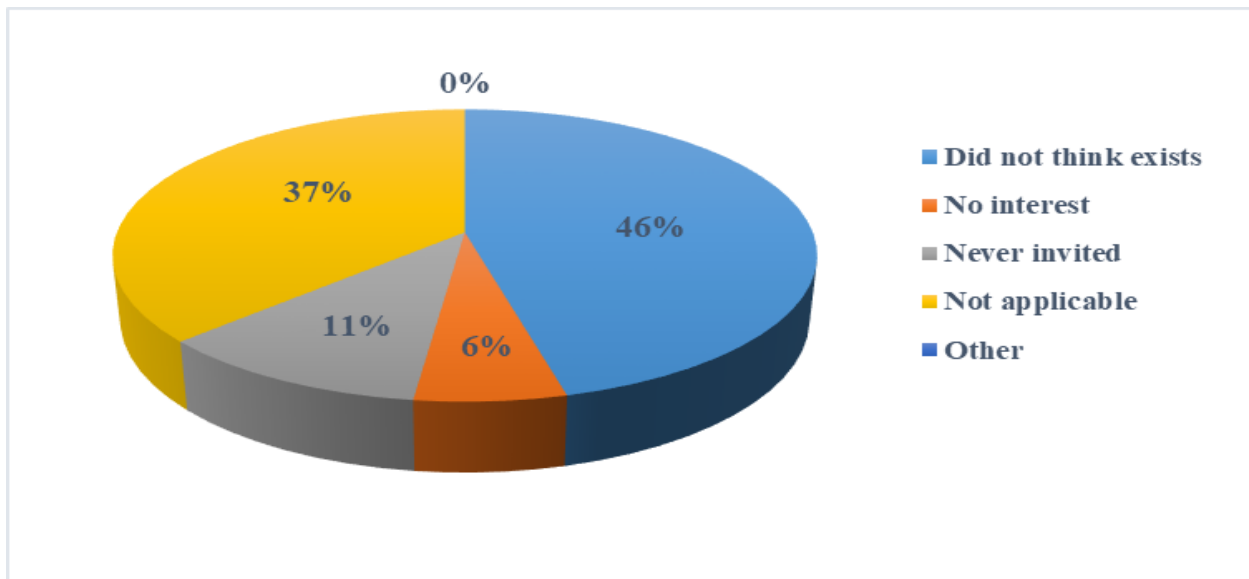
These findings suggest that a majority of rural entrepreneurs are not taking part in LED forums or partnerships in Mogalakwena Local Municipality. These findings are in contrast with the key principle of participatory LED as echoed in literature. Matlala (2014); DPLG (2006) and Hindson and Vincente (2005) argued that LED Units and Forums are intended to coordinate and

mobilise resources for the implementation of LED in the municipality by bringing together and collaborating with a range of key LED stakeholders and actors. Partnerships are seen as a forum for dialogue between local government and local enterprises, to provide an enabling environment for economic activities to take place, and where involvement of rural entrepreneurs can be facilitated. These institutions provide a platform for entrepreneurs to participate in LED initiatives and programmes of the municipality. Without the participation of entrepreneurs, LED is doomed to fail to achieve its intended mandate and goals.

5.4.4 Reasons for not Participating in LED Forums and Partnerships

The LED forums are intended to bring together and create partnerships with different LED actors and stakeholders to promote economic development within the municipality. The findings reveal the reasons why rural entrepreneurs do not participate in LED forums or partnerships in Mogalakwena Local Municipality (Figure 5.21). Majority (46%) of the rural entrepreneurs in this study indicated that they had no knowledge that LED forums exist in the municipality, while 11% indicated that they were never invited and only 6% had no interest. On the other hand, 37% are those entrepreneurs who participate to a certain extent; thus, their response is not applicable in this section.

Figure 5.21: Reasons for Not Participating

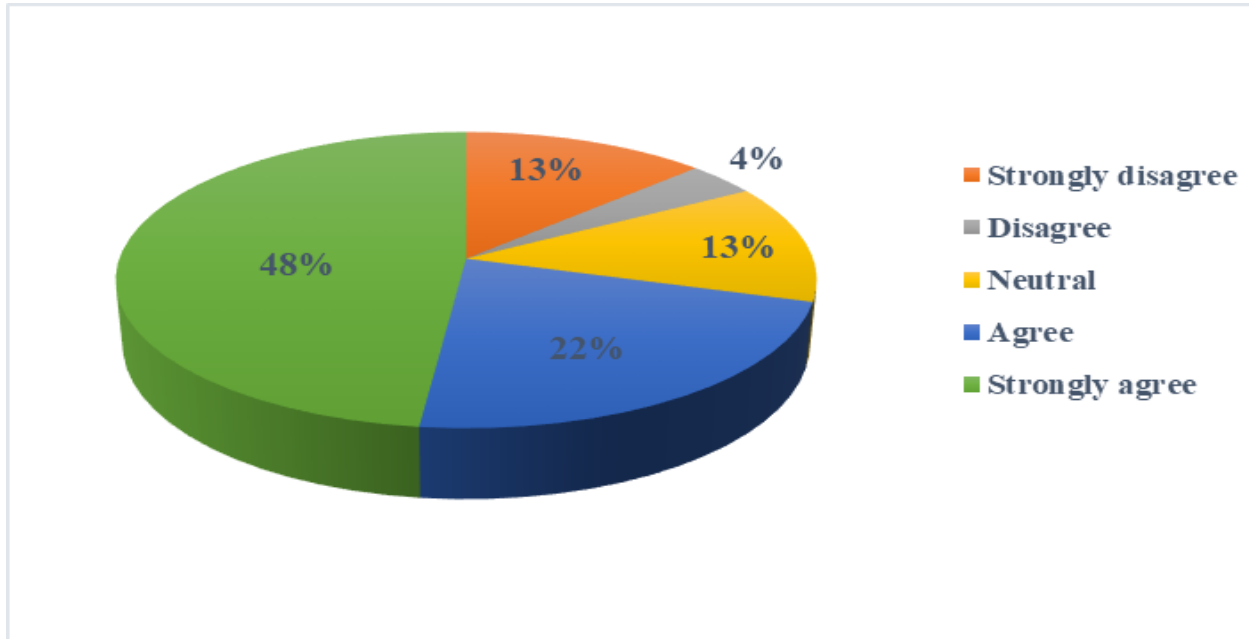


These findings suggest that though structures or mechanisms are in place, most rural entrepreneurs are not participating in LED initiatives and programmes of the municipality. The National LED framework in South Africa makes a provision for municipalities to establish LED forum within a municipality to encourage and ensure participation of all local stakeholder in LED processes. The municipality has an obligation to establish appropriate ways to encourage entrepreneurs within the municipality to be part of the LED stakeholder forum. SEDA official highlighted that when the municipality formed forums to encourage economic development, private sector representatives frequently do not participate, so the forums have been typically reduced to government talking to government. Participation and partnerships between local government and local entrepreneurs enhances dissemination or flow of information and promotion of economic opportunities and joint activities between local government and businesses.

5.4.4 Providing Infrastructure

Promoting LED requires that a municipality develop and provide infrastructure to make it easier for local businesses to operate within the municipality. Thus, local government is responsible for providing infrastructure such as roads, water supply, waste management and telecommunication, which are necessary for economic activities to take place. The findings provide the perceptions of rural entrepreneurs on whether or not the Municipality provides or develops infrastructure necessary for their entrepreneurial activities in Mogalakwena Local Municipality (Figure 5.22). Majority (70%) of the rural entrepreneurs in this study indicated that they agree that the municipality should develop and provide access to infrastructure within the municipality, while 17% disagree and 13% were sceptical about the issue of infrastructure.

Figure 5.22: Providing Infrastructure



These findings suggest that a majority of rural entrepreneurs agree that the municipality should provide appropriate infrastructure to enable entrepreneurial activities to occur within the municipality. The municipality should provide infrastructure services essential for ensuring that the local economy thrives. Makhathini and Mpanza (2020) emphasised the importance of infrastructure provision towards LED. However, most rural entrepreneurs highlighted that infrastructure provision for entrepreneurial activities and LED from the municipality is minimal. LED is premised on the view that the availability of infrastructure is likely to spur socio-economic development and to lift communities out of poverty conditions. Without appropriate infrastructure, LED is most likely to fail. The next section focuses on the analysis on the implications of rural entrepreneurship towards LED.

5.5 THE IMPLICATIONS OF RURAL ENTREPRENEURSHIP TOWARDS LED

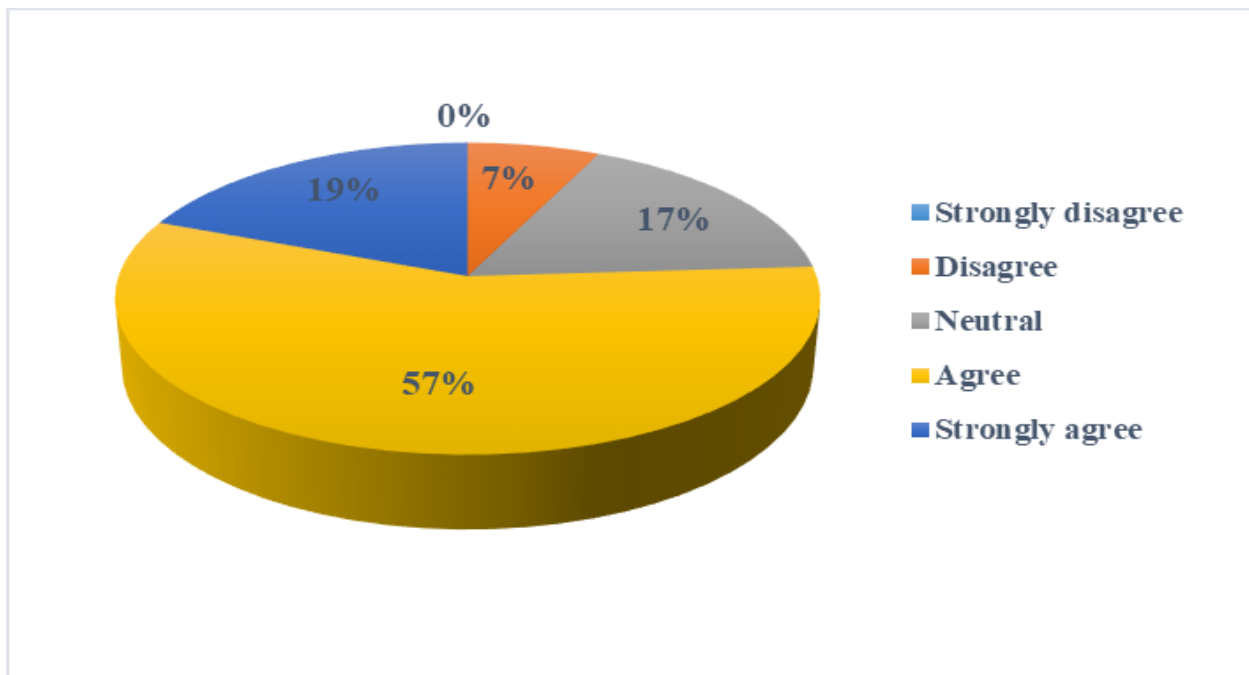
Rural entrepreneurship is regarded as an important strategy towards the development and growth of rural areas. There is a clear consensus in the literature review of this study that rural entrepreneurship can be a vehicle for economic growth and development of local communities of

a particular country. This section provides analysis of the implications of rural entrepreneurship towards LED in Mogalakwena Local Municipality. The analysis focuses on rural entrepreneurship as a mechanism for LED through employment creation, poverty alleviation, income generation, value and wealth creation, economic growth and overall standard of living.

5.5.1 Rural Entrepreneurship as a Mechanism for LED

Rural entrepreneurship can play an important role in rural economic development in developing countries such South Africa by providing the much-needed employment and economic opportunities that ultimately relieve local communities from poverty and improve their standard of living. The findings show that a small proportion of rural entrepreneurs (24%) in this study are not convinced that rural entrepreneurship can sufficiently promote LED in Mogalakwena Local Municipality, while an overwhelming majority of rural entrepreneurs (76%) in this study agree that rural entrepreneurship is indeed one of the mechanisms for promoting LED (Figure 5.23). SEDA contends that the local economy cannot grow without entrepreneurship development in rural areas.

Figure 5.23: Rural Entrepreneurship as a Mechanism for LED



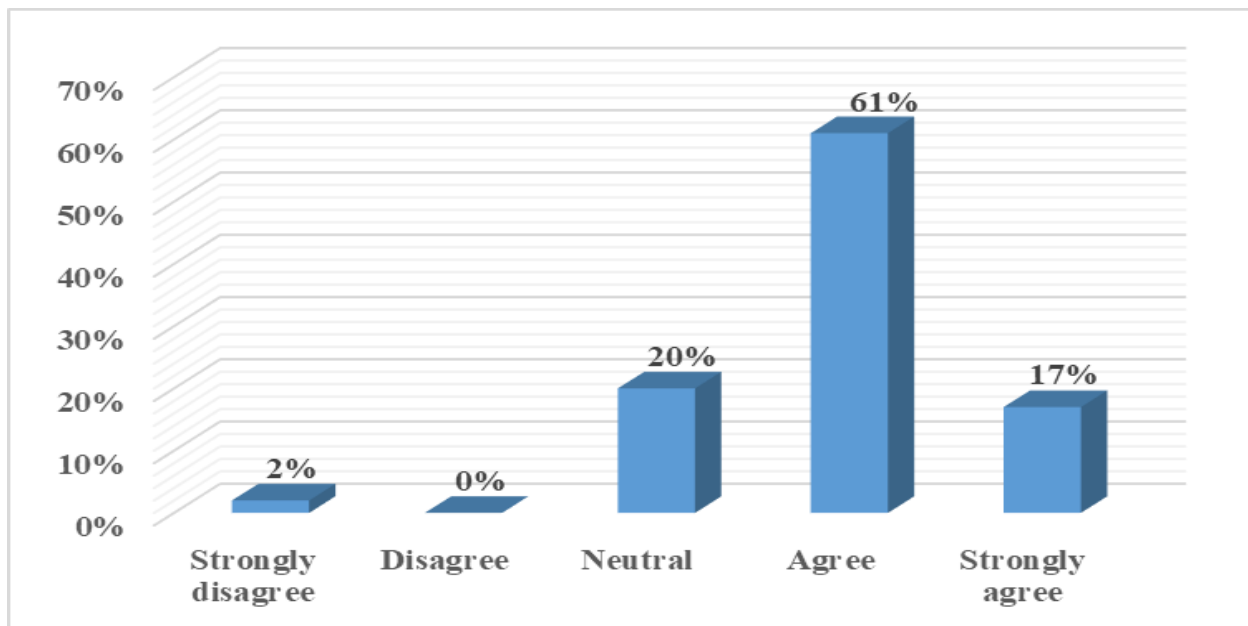
These findings reaffirm what most of literature found about the importance of rural entrepreneurship towards LED. Ngorora and Mago (2018); Boohene and Agyapong (2017); Cassim *et al.* (2014) and Mugobo & Ukpere (2012) agree that rural entrepreneurship is a vehicle for rural economic development and strategy for poverty and economic stability needed in South Africa. Additionally, the Municipality also acknowledged that LED is one of the key priorities in municipality's Integrated Development Plan (IDP) and is part of their legal mandate to address socio-economic challenges facing local communities within the municipality. The large proportion of rural entrepreneurs in this study acknowledged that rural entrepreneurship accelerates LED by reducing poverty, creating employment opportunities, increasing economic growth and generating income for the rural people including that of the entrepreneur thereby improving their standard of living. The Economic Location Theory helps to pinpoint the key industries which may be used to focus local economic development resources and efforts as a strategy to promote economic development and growth through rural entrepreneurship development. Schumpeter's Theory of Entrepreneurship asserts that entrepreneurship is a catalyst for innovation and, more broadly, a force for economic growth and development of rural communities. Thus, rural entrepreneurship development has become an important policy agenda and priority for employment creation, poverty reduction and economic growth and development of communities for many countries.

5.5.2 Rural Entrepreneurship as LED Mechanism for Employment Creation

As highlighted in literature, rural entrepreneurship is inextricably linked to economic development through creation of employment and job opportunities for rural populace. With the high unemployment rate in South Africa, rural entrepreneurship is touted as a solution to the growing problem of unemployment. Figure 5.24 supports the argument that rural entrepreneurship can create employment. Rural entrepreneurs (77.7%) in this study agree that rural entrepreneurship can provide employment opportunities for local people in Mogalakwena Local Municipality (Figure 5.24). This finding suggests that new and existing enterprises can create jobs, which are a foundation of any local economy. This further suggests that more enterprises and firms must be created within the municipality in order to successfully promote

LED. Only 22.3% of rural entrepreneurs suggest that rural entrepreneurship account for less proportion of employment opportunities within the municipality. This group of rural entrepreneurs suggest that rural entrepreneurship does not contribute adequately towards employment creation within the municipality. Mogalakwena Local Municipality, SEDA, and LEDA officials agree that the impact of such activities towards creating employment opportunities within the municipality is minimal, despite the fact that there is general agreement theoretically about the potential of entrepreneurial activities to create employment opportunities. However, they emphasized that its potential does not generate adequate employment possibilities for the rural population within the municipality.

Figure 5.24: Entrepreneurship as Mechanism for LED through Employment Creation



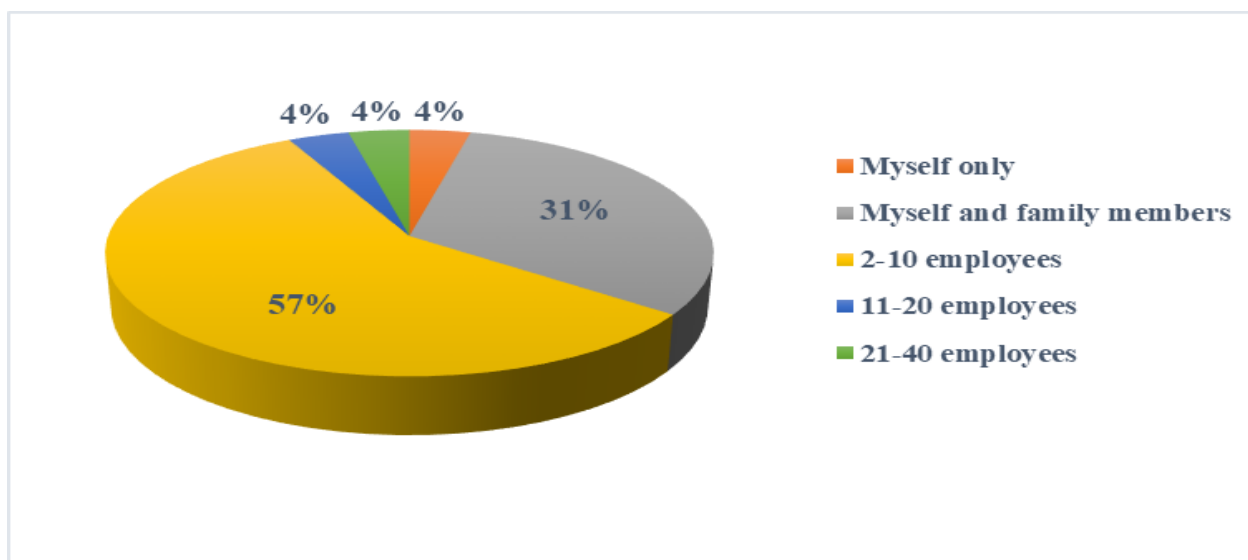
The findings confirm Saxena's (2012) argument in literature that rural entrepreneurship has the potential to improve local economy through the creation of employment opportunities, which can provide a clear solution to the growing problem of unemployment in rural areas through the development of new and expansion of existing enterprises or firms. Kumo *et al.* (2015); Imafidon (2014) and Olele and Uche (2012) reiterated that rural entrepreneurial activities constitute one of the major sources of employment opportunities and constitute up to 37% and 72% of employment in South Africa. Rural entrepreneurship creates employment opportunities

through the creation of firms and small businesses, which in turn improves the local economy of rural areas. According to the Economic Location Theory, there are numerous employment opportunities for both local communities and those with a high concentration of economic activity. Thus, entrepreneurial activities can provide employment opportunities for the rural people within the municipality. However, it was observed that rural entrepreneurship only provides a small proportion of employment opportunities.

5.5.3 Number of Employees within Enterprises

It is noteworthy that the literature review in this study did not emphasise the question of the potential number of employment opportunities that rural enterprises could create. Often, the number of employees employed is used as a criterion for characterising enterprises and firms. Figure 5.25 shows the number of employees employed by these rural entrepreneurs. According to Figure 5.25, majority (57%) of rural entrepreneurs in the study employed between 2 and 10 people in the enterprises and firms, while 31% employed either their family members or relatives. Meanwhile, 4% of rural entrepreneurs who ran the business themselves without employing anyone, on the other hand 4% employed between 11 and 20, while another 4% of rural entrepreneurs employed 21 and 40 number of people respectively.

Figure 5.25: Number of Employees

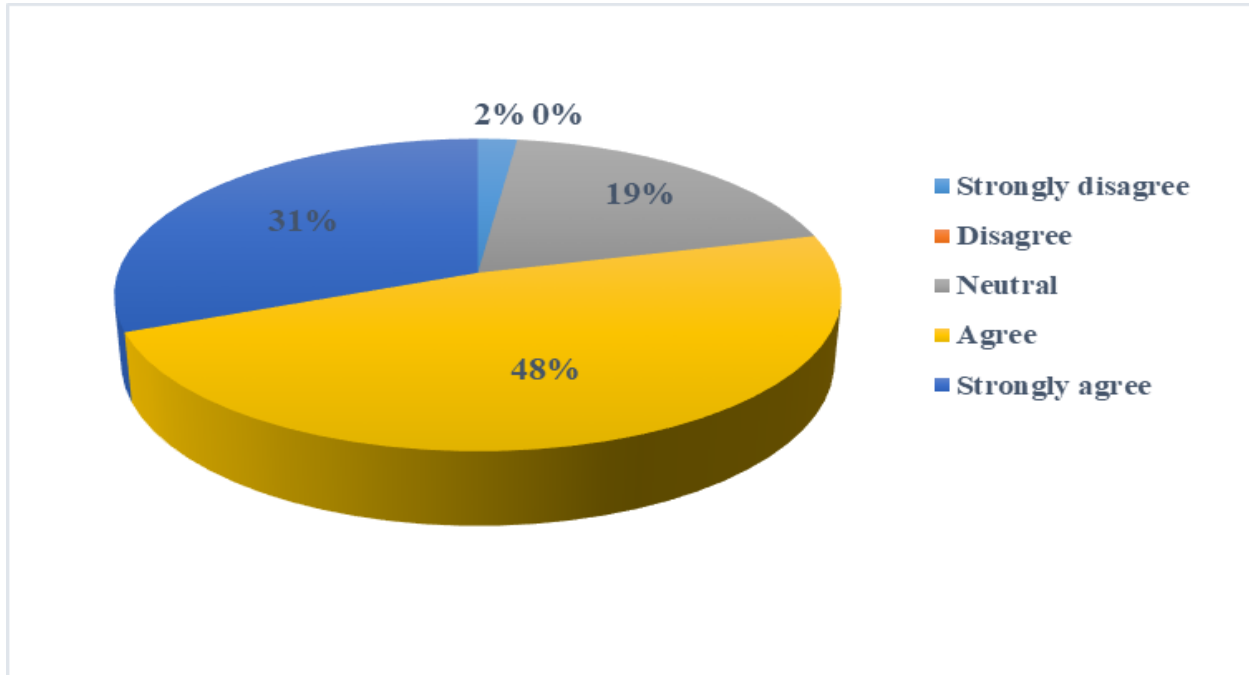


The findings suggest that most of the rural enterprises are either micro (survivalists) or small enterprises. In terms of the classification and categorisation of enterprises, a micro enterprise can employ between 0 and 5 employees and a small enterprise may consist of 6 to 49 employees. This confirms the argument by Mtisi and Muranda (2016) that rural enterprises mainly employ less than 10 employees. Entrepreneurs by nature are employment creators rather than employment seekers. The findings confirm that rural entrepreneurial activities do not create enough employment opportunities in Mogalakwena Local Municipality. However, entrepreneurs have the potential to provide new job opportunities in the short and long term for local people, which may provide relief from poverty. According to the Economic Location Theory, the type/size of the enterprise and the location of the business have an impact on the number of employees employed by rural enterprises (whether formal or informal). Although a labour source is necessary, different industries place different importance on labour when selecting a business location. Even when it is not a huge issue, few businesses will be apathetic to labour issues. Usually, a company wants to make sure that the kind of people it needs are available in sufficient numbers at the place where the company is located. Entrepreneurs stimulate employment growth by generating new jobs when they enter the market.

5.5.4 Rural Entrepreneurship as Mechanism for LED through Poverty Alleviation

Rural entrepreneurship is seen as one of the ways for reducing poverty in rural areas through LED promotion. Most of the enterprises employ rural people who are predominantly poor. Thus, when an entrepreneur employs people in their enterprises, such people are likely to come out of poverty to a certain extent. The findings reveal the perceptions of rural entrepreneurs on the implications of their entrepreneurial activities towards LED through poverty alleviation in Mogalakwena Local Municipality (Figure 5.26). Majority of rural entrepreneurs (79%) in the study agree that rural entrepreneurship can lead to poverty reduction in rural areas and only 2% of the rural entrepreneurs strongly disagreed. On the other hand, 19% are not sure of the extent to which rural entrepreneurship contributes to poverty alleviation. The results are in line with Mogalakwena Local Municipality's, SEDA's and LEDA's views that entrepreneurial activities have the ability to alleviate poverty in many rural areas within the municipality.

Figure 5.26: Rural Entrepreneurship as Mechanism for LED through Poverty Alleviation



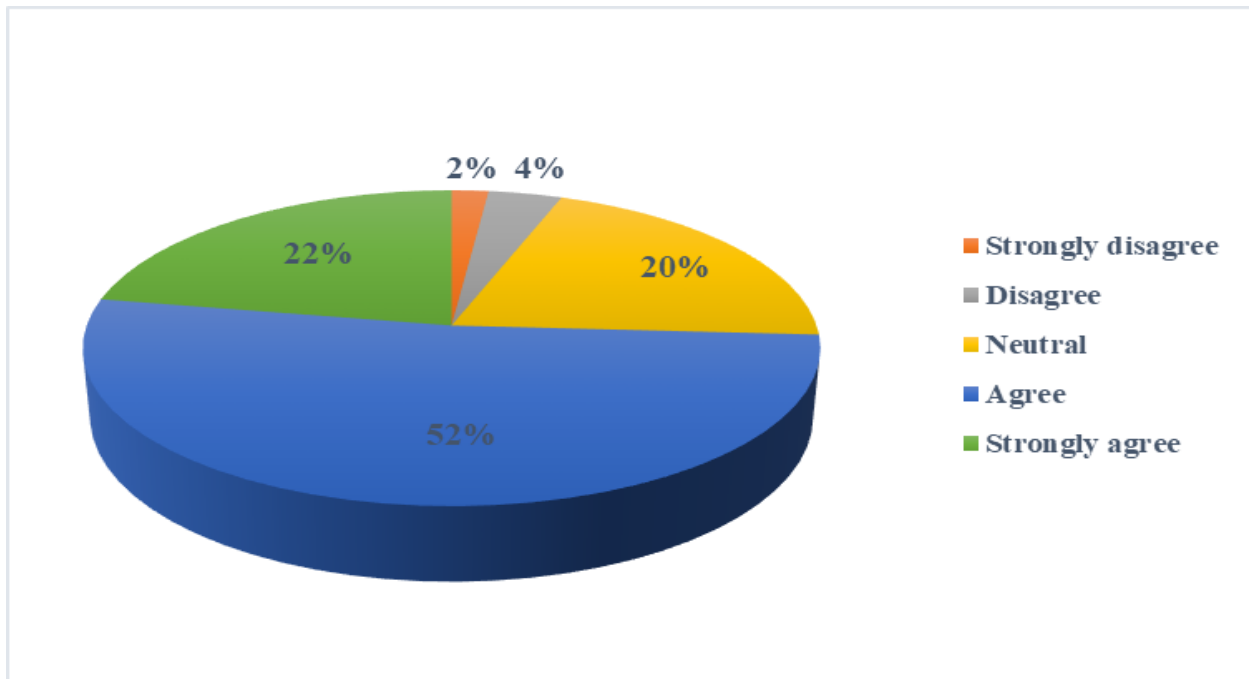
These findings suggest that entrepreneurial activities significantly play a meaningful contribution towards poverty alleviation through employment creation and income generation both for the owner and the rural populace. Because of the increasing poverty levels, entrepreneurship development has been proposed as an effective alternative means for rural poverty alleviation by most developing countries such as South Africa (Asitik, 2016; Kareem, 2015). According to the Economic Location Theory, spatial inequalities and distinctiveness of a business can have an impact on entrepreneurial activities and processes, which can effect poverty alleviation efforts. Overwhelming literature in this study acknowledges the significant contribution that entrepreneurship development can have towards poverty alleviation and reduction by creating employment and generating income for the rural people thereby improving their standard of living.

5.5.5 Rural Entrepreneurship as Mechanism for LED through Income Generation

Rural entrepreneurship generates and increases income for both the entrepreneur and employees through employment creation. The findings illustrate the views of rural entrepreneurs on the

extent to which their entrepreneurial activities are able to generate income both for themselves and their employees (Figure 5.27). Figure 5.27 below demonstrates that majority (74%) of rural entrepreneurs in the study agree that their entrepreneurial activities enable generation of income, while a small proportion (6%) disagreed. A small proportion (20%) of rural entrepreneurs were sceptical of the extent to which their entrepreneurial activities helped to generate adequate income for themselves and their employees.

Figure 5.27: Rural Entrepreneurship as Mechanism for LED through Income Generation



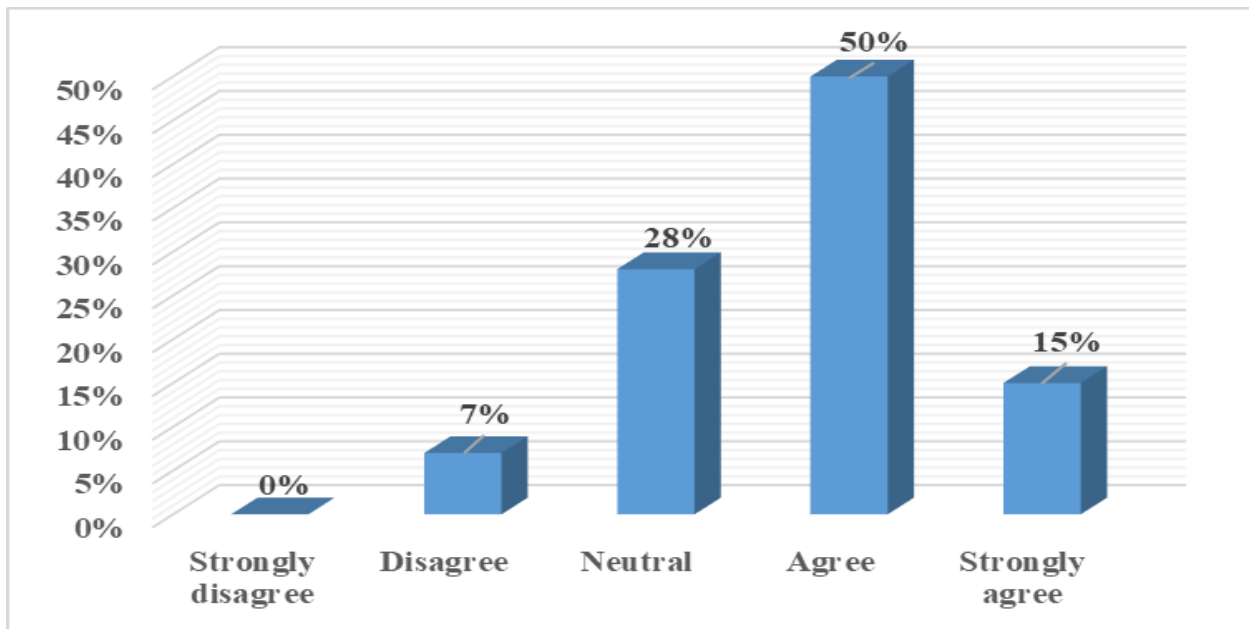
These findings suggest that rural entrepreneurs in the Mogalakwena Local Municipality viewed entrepreneurial activities as a means to generate income for themselves and their employees. This concurs with Mugobo and Ukpere's (2012) argument in chapter 3 that rural enterprises do not only offer employment opportunities to the rural populace but are also sources of income to rural entrepreneurs. It can be concluded that rural entrepreneurship can increase income for both individuals starting or involved in an enterprise and their households. However, some entrepreneurs indicated that the income generated is often not sufficient to sustain their households. This observation is associated with the fact that most enterprises are either small or

micro (survivalists) as indicated above. The Economic Location Theory holds that the location of economic activity (i.e., businesses) can have a big impact on generating income both for the entrepreneur and his or her employees. According to this perspective, the place where an economic activity takes place offers benefits and opportunities for the local economy, including the possibility of generating income.

5.5.6 Rural Entrepreneurship as Mechanism for LED through Value and Wealth Creation

Rural entrepreneurship involves the creation of new value and wealth not only for the entrepreneur but also for the rural place using the available resources. The findings present the perceptions of rural entrepreneurs on whether or not their entrepreneurial activities created value and wealth within the Mogalakwena Local Municipality (Figure 5.28). The majority (64.8%) of rural entrepreneurs in this study are of the view that entrepreneurial activities could help create value and wealth in the rural areas, where only 7.4% disagree. On the other hand, 27.8% of rural entrepreneurs in this study indicate that they were not sure whether their entrepreneurial activities did create value and wealth in rural areas where their businesses operate.

Figure 5.28: Entrepreneurship as Mechanism for LED through Value and Wealth Creation

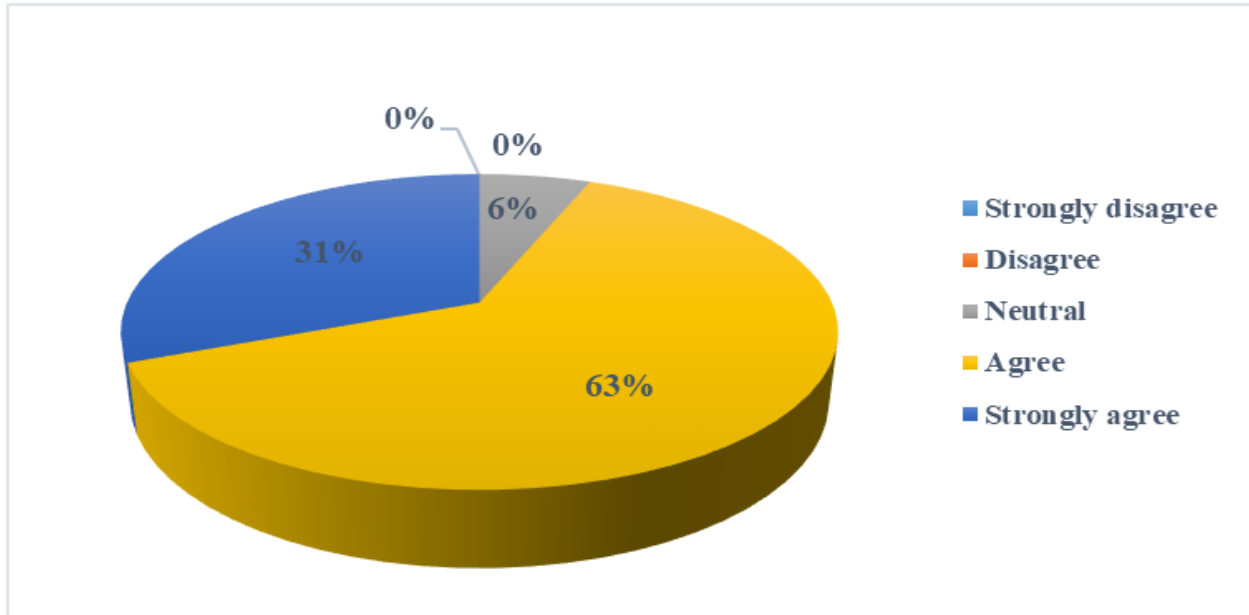


These findings confirm the argument by Korsgaard *et al.* (2015) that entrepreneurship creates value and wealth where entrepreneurial activities take place. Petrin (1994) further supports this finding in chapter 3 that the entrepreneurial process involves creating value using a combination of unique resources in order to exploit the opportunity by an entrepreneur. Thus, it can be concluded that rural entrepreneurship can significantly contribute towards to the creation of value and wealth in the rural areas within Mogalakwena Local Municipality using the available local resources. Accordingly, rural entrepreneurs create variety forms of value and wealth to local growth and development. From the analysis, entrepreneurship is a value-adding and wealth creation process, and an entrepreneur is perceived as a wealth creator and agent of economic development in a specific locality. New and improved products, services, or technology from entrepreneurs enable new markets to be developed and new wealth to be created.

5.5.7 Rural Entrepreneurship as Mechanism for LED through Economic Growth

Entrepreneurship plays a vital role in economic development and serves as a catalyst in the process of industrialization and economic growth. Entrepreneurs boost economic growth by introducing innovative technologies, products and services in the market. Thus, entrepreneurship may spur economic development if appropriately supported by the government and other institutions. The findings present the views of rural entrepreneurs on whether their entrepreneurial activities influenced the economic growth and development in the Mogalakwena Local Municipality (Figure 5.29). Overwhelmingly, the majority (94%) of the rural entrepreneurs in this study agreed that their entrepreneurial activities contributed to the local economy of rural areas with the Mogalakwena Local Municipality, while only 6% disagreed with this notion. The key informants, i.e., the Municipality, SEDA and LEDA officials also agreed that entrepreneurial activities has positive effects on economic growth, however at a slow or minimal rate, especially in rural areas. SEDA and LEDA officials contend that rural entrepreneurship facilitates circulation of money or income within the local areas, which can have a great impact towards local economy.

Figure 5.29: Rural Entrepreneurship as Mechanism for LED through Economic Growth



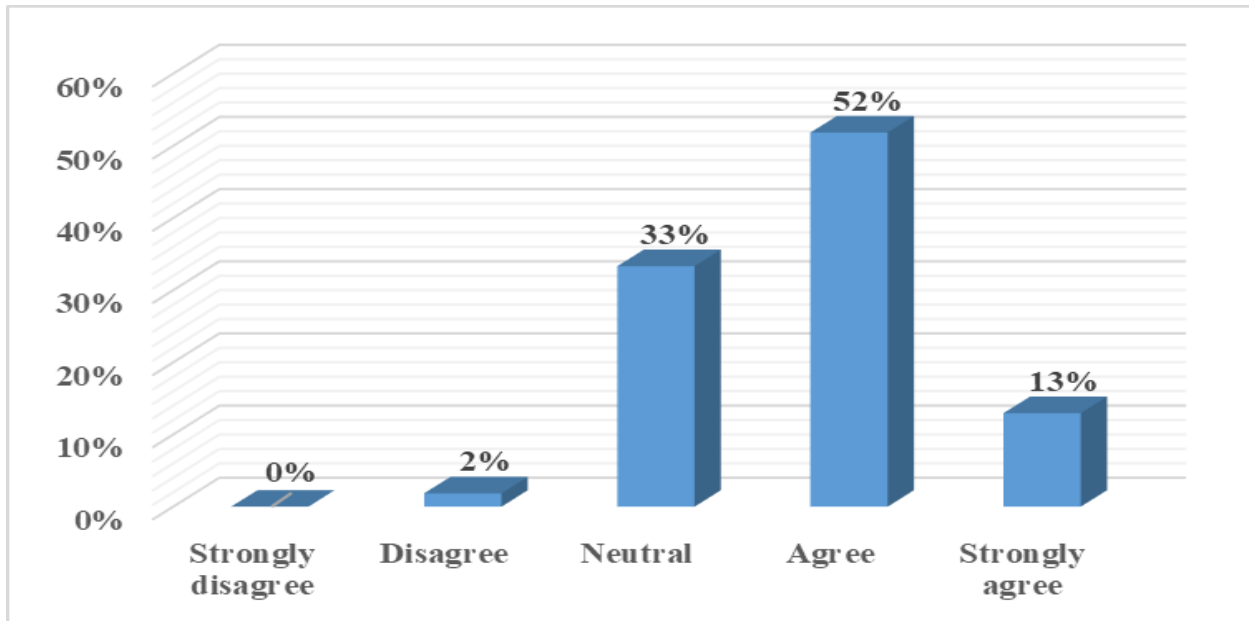
These findings are in line with most of the literature reviewed in this study. For example, Mugobo and Ukpere (2012) argued that entrepreneurial activities could create economic stability in the rural areas through increased growth. While Henderson (2006) stated that countries with higher levels of entrepreneurial activity enjoy strong economic growth. This finding also echoes what Madzivhandila and Musara (2020); Fiseha et al. (2019); Malecki (2018); Ngorora and Mago (2018); Kahika and Karyeija (2016) and Gautam and Mishra (2016) argued about the importance of entrepreneurship towards economic growth and development. According to Schumpeter's theory, entrepreneurship is a driving force of innovation and more generally an engine for economic development. This analysis suggests that economic growth is dependent on the entrepreneurial activities as the key drivers of growth in rural areas. Rural entrepreneurship can create economic opportunities, which ultimately improve overall growth and standard of living of people in the rural areas. New and existing enterprises help in the economic development and growth of communities within the municipality. This finding suggests that entrepreneurs play a considerable role in driving and improving economic growth and societal development of the municipality through employment creation, betterment of living standards, reduced poverty and improved incomes.

In order to promote economic development and expansion of rural areas through entrepreneurship development, the Municipality may wish to concentrate its economic development resources and efforts on a few key industries, which can be identified using the Economic Location Theory. Everyone is an entrepreneur, in Schumpeter's view, when he or she genuinely implements novel combinations, which is, establishing an enterprise. According to Schumpeter's Theory of Entrepreneurship, entrepreneurship is a driving force of innovation and more generally an engine for economic development. Entrepreneurial discovery is the process of coming up with new combinations of the factors of production, which will eventually become the force behind economic growth. However, the functioning of an economic system is influenced by the locality, because it is the source of various economic benefits (or drawbacks) such as large (or low) endowments of production components.

5.5.8 Rural Entrepreneurship as Mechanism for LED through Improved Living Standards

From the above analysis, it is clear that rural entrepreneurship significantly contributes to the rural economic development through poverty alleviation, increased economic growth, employment creation, income generation and value and wealth creation, which ultimately lead to improved standards of living in rural areas. The findings indicate the perceptions of rural entrepreneurs in this study towards the overall improvement of the standard of living of people in the rural areas because of the entrepreneurial activities (Figure 5.30). A majority (64.8%) of the rural entrepreneurs in this study agreed that their entrepreneurial activities improved the overall standards of living in the rural areas within the Mogalakwena Local Municipality, whereas 33.3% of the entrepreneurs were not sure of this notion.

Figure 5.30: Entrepreneurship as Mechanism for LED by Improved Living Standards



Rural entrepreneurs demonstrated strong distinctive aspiration to contribute to the general well-being of the area they operated in and a mutual concern for the plight of the local community. Accordingly, when an area is thriving, enterprises in such an area have a better chance of thriving as well. Rural entrepreneurs highlighted that their activities were able, to a certain extent, to provide local people with job opportunities and services necessary to make their living conditions much better. In the literature section, there is consensus that entrepreneurship has the potential to improve the standard of living for everyone in a particular area. Madzivhandila and Musara (2020); Fiseha et al. (2019); Ngorora and Mago (2018); Boohene and Agyapong (2017) and Mugobo and Ukpere (2012) all agreed that entrepreneurship is vital for improving the standard of living through employment creation, poverty alleviation, improved economic outlook and value creation. The finding reaffirms the acceptance of the important role entrepreneurship plays towards uplifting the standard of living for all citizens. Schumpeter's Theory of Entrepreneurship explains why entrepreneurs (innovators) are obligated to constantly search for new novelties in order to preserve the flow of income and why they must advance in order to remain standing. The paradigm assumes an entrepreneur as a motivated individual whose hand is forced by the desire for financial gain, which eventually uplifts themselves and others. This describes how innovation (beginning a business) raises profit, which in turn encourages

imitation, eventually interrupting the flow of the innovators' earnings. Entrepreneurs within the municipality do not only provide the means for living through employment creation but also provide people's needs and wants. Hence, rural entrepreneurship has the ability to raise the standard of living of people and communities within a municipality.

5.6. CONCLUSION

The chapter provided an analysis about rural entrepreneurship and its implications towards local economic development (LED) in Mogalakwena Local Municipality. The analysis suggests that rural entrepreneurship is an essential mechanism to accelerate LED by alleviating poverty, improved economic growth, creating employment, generating income, creating value or wealth, retaining or keeping skilled people in the area and improving the overall standard of living within the municipality. Thus, the promotion of rural entrepreneurship is seen as the greatest force of local economic growth and development in rural areas. Despite this finding, the growth and development of rural entrepreneurship in the municipality is confronted with a wide range of challenges and constraints, which hamper entrepreneurial efforts. These challenges need to be addressed if rural entrepreneurship has to thrive and meet the economic needs of local people in the rural areas. However, entrepreneurship remains a vital instigator of growth and development of the local economy within the municipality. It also appears that the municipality is not doing enough to encourage entrepreneurship and integrating rural entrepreneurs in LED within the municipality. Majority of rural areas in Mogalakwena Local Municipality are poor and promoting entrepreneurial activities may contribute significantly to economic development and improved well-being or standard of living of people in the rural areas. Thus, according to the findings, rural entrepreneurship can provide the means for all stakeholders involved, including entrepreneurs, individuals and households, to improve and sustain their standard of living and the local economy. Entrepreneurship is about creating economic opportunities and improving society's quality of life. The subsequent chapter provides a summary of the study, summary of the key findings, recommendations and conclusion of the study.

CHAPTER 6: SUMMARY, KEY FINDINGS, LIMITATIONS, RECOMMENDATIONS AND CONCLUSION

6.1 INTRODUCTION

This study aimed to investigate rural entrepreneurship and its implications towards local economic development (LED) in the Mogalakwena Local Municipality. The objectives to achieve this aim of the study included assessing the characteristics of rural entrepreneurship; examining the significance of rural entrepreneurship; evaluating the challenges facing rural entrepreneurship; examining the role of local government in LED and investigating the implications of rural entrepreneurship towards LED. Rural entrepreneurship is seen as a viable mechanism of local economic growth and development in the rural areas. Thus, rural entrepreneurship plays an important role in the economic development of local communities by providing employment opportunities, improving economic growth, alleviating poverty, generating income and creating value or wealth, consequently improving the standard of living of the target communities. The previous chapter provided analysis of findings that emanated from the study. This chapter provides a summary of the research findings, recommendations and conclusion of the study.

6.2 SUMMARY OF THE STUDY

The aim of the study was to investigate the implications of rural entrepreneurship towards local economic development (LED) in Mogalakwena Local Municipality, Limpopo Province. To achieve this aim, the study is divided into six chapters. These chapters are summarised below as follows:

Chapter 1 described the conceptual basis for what the study investigated, including the background to the study, statement of the research statement, research questions and objectives and definition of key terms. Additionally, the research design and methodology, significance of the study and ethical considerations as well as the structure of the thesis were also described. The main aim of this chapter was to provide the rationale and justification of the study.

Chapter 2 explored the theoretical perspectives on rural entrepreneurship and LED. The chapter focused on theories and models underlying the concept of entrepreneurship and local economic development, which included the economic location theory, Schumpeter's theory of entrepreneurship and personality traits theory. This review was undertaken in order to establish a theoretical understanding of rural entrepreneurship and LED as well as the basis for developing the research instruments used. Additionally, the chapter conceptualised rural entrepreneurship and focuses on understanding the concept of entrepreneurship, perspectives of entrepreneurship, definitional clarifications and characteristics of rural entrepreneurship as well as factors that influences entrepreneurial success in rural areas. Lastly, the chapter also provided the conceptual framework on LED, with specific focus on defining the concept of LED, historical contexts, understanding local government as a sphere of government, LED stakeholders, LED planning process, approaches to LED and the role of local government in LED processes.

Chapter 3 reviewed international experiences/perspectives and literature on the concept of rural entrepreneurship and LED. The chapter focused on understanding entrepreneurship, the significance of rural entrepreneurship and challenges facing rural entrepreneurship in developed and developing countries. The chapter also conceptualised LED with a specific focus on the historical contexts, the role of local government and LED challenges facing developed and developing countries. This chapter was also undertaken in order to establish a theoretical understanding of and a basis for developing the research instruments used.

Chapter 4 provided the South African experiences and practice on rural entrepreneurship and LED. It focused on understanding South Africa's entrepreneurship environment by looking at rural entrepreneurship, challenges facing rural entrepreneurs and policy framework and strategies supporting entrepreneurship development. In addition, the chapter discussed the nature of LED in South Africa, focusing on the historical perspective, legislative framework for LED, the role of local government, LED challenges and the current state of local government.

Chapter 5 discussed the analysis, presentation and interpretation of the data that emanated from the study. The chapter provided the analysis and interpretation of the data collected on the

implications of rural entrepreneurship towards LED within the Mogalakwena Local Municipality in Limpopo Province. The analysis focused on the characteristics, significance and challenges of rural entrepreneurship in Mogalakwena Local Municipality, the role of Mogalakwena Local Municipality on LED and the implications of rural entrepreneurship towards LED in Mogalakwena Local Municipality.

Chapter 6 summarises the study and major key findings based on the objectives of the study and provides conclusions emanating from the study on rural entrepreneurship and its implications towards LED in Mogalakwena Local Municipality. The chapter also provides recommendations for further research, skills development and training for rural entrepreneurs and LED officers, integration of rural entrepreneurs in LED forums, provision of financial support to rural entrepreneurs and developing comprehensive entrepreneurial development policy frameworks that create an enabling environment for entrepreneurial activities to occur in the rural areas.

6.3 SUMMARY OF THE KEY FINDINGS

This section provides the summary of key findings emanating from the study. The study was conducted in Mogalakwena Local Municipality, Limpopo Province to investigate the implications of rural entrepreneurship towards LED. The research objectives included to assess the characteristics of rural entrepreneurship; evaluating the challenges facing rural entrepreneurship; examining the significance of rural entrepreneurship; examining the role of local government in planning and implementing LED and investigating the implications of rural entrepreneurship towards LED. The following are the key research findings of the study:

- The study discovered that rural entrepreneurship in Mogalakwena Local Municipality is mainly characterised by enterprises situated near shopping centres, small and micro (survivalists) enterprises, formal (registered) enterprises, multi-sectoral entrepreneurial activities and some attributes of entrepreneurship. It was found that majority of enterprises are situated closer to shopping centres and are classified as small and micro (survivalists) enterprises which are duly registered and engage in multi-sectoral entrepreneurial

activities. The entrepreneurial activities and local economy in the rural areas are primarily driven by small and micro enterprises within the municipality.

- Rural enterprises are most susceptible to numerous challenges that threaten their survival and success. The study found that rural entrepreneurs in Mogalakwena Local Municipality are faced with a myriad of challenges ranging from lack of access to finance or financial support, limited access to markets, lack of capacity or skills, stiff regulations, lack of infrastructure, high levels of crime to stiff competition. Lack of access to finance or financial support remains the greatest challenge facing rural entrepreneurship followed by lack of access to markets and stringent government regulations. Additionally, lack of capacity or skills is another notable challenge for rural entrepreneurship to thrive, especially lack of skilled or educated labour in the rural areas.
- From philosophical perspective, the study discovered that rural entrepreneurship is most significant in promoting LED due to its potential for alleviating poverty, increasing economic growth, creating employment and economic opportunities, generating income, creating value or wealth, keeping and retaining skilled people and improving the standard of living of the local communities. Rural entrepreneurship is seen as one of the stimulators of economic activities in the rural areas within the municipality. Accordingly, the growth and development of rural entrepreneurship is essential for addressing economic dilemmas confronting local communities in Mogalakwena Local Municipality.
- The study found that an overwhelming majority of rural enterprises does not receive any financial support or assistance from the Mogalakwena Local Municipality. The persistent lack of financial support or assistance impedes the growth and success of rural enterprises within the municipality. Another key finding is that a majority of these enterprises do not have knowledge of the municipal LED forum, which should enable entrepreneurs to actively participate in LED initiatives or partnerships of the municipality. This could also create an enabling environment for entrepreneurial activities to take place and partnerships between the municipality and local enterprises.

- The study found that rural entrepreneurship has a vital role in advancing LED by reducing poverty, boosting economic growth, generating income and employment opportunities, creating wealth or value, retaining and attracting qualified workers, and raising the standard of living in local communities. Clearly, one of the factors boosting economic activity in the municipality's rural communities is entrepreneurship. As a result, rural entrepreneurship's growth and development are crucial for resolving the economic problems that local communities in the Mogalakwena Local Municipality are facing.

6.4 LIMITATIONS OF THE STUDY

The study observed and encountered a few limitations, which affected the outcomes of the data collection process. These limitations are presented below as follows:

- The study's execution was handicapped by time constraints and a lack of funding resources. The distribution and collecting of the questionnaire and interview schedule were limited to one month. The SDAs chosen were too far apart from one another, necessitating sufficient resources (transport, data collecting helpers, and refreshments) to accomplish data collection. Due to this limitation, only a small number of completed questionnaires from rural enterprises were obtained.
- The nature of businesses or enterprises in the selected SDAs presented a limitation to the study. Most of the businesses did not fit the characteristics of an entrepreneur and rural entrepreneurship, which affected the sample size of the study. Some entrepreneurs could not complete the questionnaire for various reasons beyond the control of the researcher within the data collection period of the study. This also contributed to a number of uncompleted questionnaire copies.
- The length of the questionnaire appeared to be a constraint, and a lack of interest on the part of a number of respondents who filled out the questionnaire in the study was also observed. As a result, there were a number of incomplete questionnaires, which contributed to the study's low response rate (sample size). Because of these restrictions, the sample size was tiny, making extrapolation of the findings difficult to justify.

6.5 RECOMMENDATIONS

This section presents the recommendations of the study based on the analysis of the literature, field data and key research findings. Thus, the study makes the following recommendations:

- **Provision of Financial Support to Rural Entrepreneurs**

Access to finance is one of the major barriers for many rural entrepreneurs to thrive in the Mogalakwena Local Municipality. Rural entrepreneurs require a variety of financial services such as credit facilities, equity, venture or guarantees for their entrepreneurial activities to flourish. Thus, improving access to these various types of financial services backed by government or the municipality is paramount for rural entrepreneurship growth and development. Some of the interventions and strategies for improving access to finance or funding can include awareness, dialogue, education and enterprise support centres for rural entrepreneurs. Government and local authorities including state institutions such as Small Enterprise Development Agency (SEDA) and Limpopo Economic Development Agency (LEDA) as well as Mogalakwena Local Municipality should create awareness campaigns for rural entrepreneurs about available sources of funding and support from various financial institutions, including microfinance institutions. Information sharing and dissemination in this regard is crucial. Additionally, the government (both national and provincial) and local authorities should facilitate dialogue with these institutions in order to promote rural finance. Initiatives such as the Rural and Township Economy Programme (TREP) of SEDA under the Department of Small Business Development at the national level can help rural entrepreneurs in the informal economy (businesses) within the municipality. TREP supports informal, micro and small enterprises and cooperatives in the rural and township economies. It provides blended finance and business development support to various sectors with a view of promoting their participation in the mainstream economy. This programme is one of the government's funding mechanisms that rural entrepreneurs can take advantage of or benefit from. Therefore, there is a need for the Municipality to revitalise structures such as the LED forum and LED committee, which can be

used as platforms for linking rural entrepreneurs with micro financing institutions and opportunities that are available internally and externally.

- **Creating an enabling Environment**

Creating an entrepreneurial environment in the rural areas continues to be a challenge in Mogalakwena Local Municipality. Thus, Mogalakwena Local Municipality should create and facilitate an enabling environment for entrepreneurial activities to take place and prosper which is one of the key factors in LED. An enabling environment involves a mix of factors such as laws, regulations or policies, investment agreements, institutional arrangements and structures within the municipality, which either facilitate or inhibit entrepreneurial activities to take place. Often administrative and regulatory burdens such as registration process, procedures, costs and requirements among others can have disproportional negative effects on rural enterprises. These factors need to be more accommodating in order to encourage rural entrepreneurship development and stimulate investments for LED. Government and local authorities should formulate policies that create an enabling environment for rural entrepreneurship development. Enabling regulatory environments for start-up finance for rural entrepreneurs should be enhanced and rural entrepreneurs should be provided with information on how to access various types of business finance from different sources or institutions. This can be a collaborative effort of the local authority (Municipality), SEDA, LEDA and other institutions such as LED agencies and LED forums within the municipality.

- **Integrating Rural Entrepreneurs in LED Forums**

The study found out that most rural entrepreneurs do not take part or are not involved in LED forums and activities of the municipality. Mogalakwena Local Municipality, as the main facilitator and regulator of LED, should place its utmost priority on rural entrepreneurship and incorporate its LED strategies and initiatives, and allow rural entrepreneurs to take part in LED forums and activities. The municipality should create an entrepreneurial ecosystem that enables rural entrepreneurs and other stakeholders to work collectively as a team. The municipality, rural

entrepreneurs and other stakeholders should work in a reciprocal relationship to enhance entrepreneurship growth and development in order to promote LED in rural areas. This kind of support networks can be valuable for rural entrepreneurs in diffusing information about LED opportunities, programmes and initiatives. This can be achieved through mentorship networks, enterprise-to-enterprise linkages and educational networks. The municipality in this regard plays the role of a facilitator, striving to provide social support to rural entrepreneurs. There is a need for appropriate integrated, sound coordination and cooperation among all stakeholders involved or affected in LED processes. Therefore, there is a need also for the Municipality to revitalise structures such as the LED forum and LED committee, which can be used as platforms or structures for rural entrepreneurs and other key stakeholders to participate in LED processes within the municipality.

- **Skills Development and Training**

The study found out that lack of skills or capacity is one of the major challenges facing rural entrepreneurship in the Mogalakwena Local Municipality. Skills are integral to enhancing entrepreneurial productivity and output as well as employability. Often rural entrepreneurs are limited by lack of finance to access appropriate training necessary for engaging in entrepreneurial activities. Skills development and training are important tools for strengthening rural enterprises. There is a need for coordinated efforts to provide training and skills development to rural entrepreneurs and LED officers within the municipality. The government, through strengthened coordination and collaboration with local authorities and other key stakeholders, should integrate skills development and training in their entrepreneurship policies and strategies, such as NDP, LED strategies. Institutions such as the Municipality, SEDA and LEDA can play a significant role in empowering and capacitating rural entrepreneurs in their constituencies. These institutions can provide support services that are crucial for emerging and existing rural enterprises including (1) business support, which includes providing advice, exposure trips, linking with other businesses, business monitoring through incubation, adherence and compliance, and registrations; (2) training on basic business management, which may include; customer care, marketing, pricing and costing, bookkeeping, business plan development

and financial management; and (3) financing, such as applying for funding/loans from different institutions.

- **Promotion of Entrepreneurship Culture in Rural Areas**

The study found out that the culture of entrepreneurship changed drastically after 1994 in South Africa and the new government has neglected the promotion of entrepreneurship. This scenario saw the emergence of a new culture of ‘tenderpreneurship’ that ultimately diminished the culture of entrepreneurship. Entrepreneurship must be recognised as crucial to the future and development of rural communities in Mogalakwena Local Municipality and South Africa at large. The government together with local authorities and other enterprise development institutions should promote and inculcate a culture of entrepreneurship in the rural areas. From the national to the local level, there is a need for a culture that supports and encourages entrepreneurial activities to promote rural entrepreneurship in South Africa. A positive entrepreneurial culture and climate are critical to the success and growth of rural enterprises. Government and other key stakeholders have the responsibility to foster growth of rural entrepreneurship and a culture of entrepreneurship by, for example, providing entrepreneurship education and skills support, and awareness campaigns, which can create optimistic entrepreneurship attitudes in the rural areas. Thus, entrepreneurship policies and strategies that encourage and support the promotion of entrepreneurship culture in the rural areas are necessary and should be put in place. Entrepreneurship education involves promoting entrepreneurship in schools or in institutions of higher education, while entrepreneurship promotion focuses on promoting a culture of entrepreneurship.

- **Further Research on Rural Entrepreneurship**

The wide range of subjects discussed in this study demonstrates the abundance of rural entrepreneurship-related research opportunities. Rural entrepreneurship has special characteristics that set it apart from typical studies on high-growth or high-tech businesses as a distinct area of entrepreneurship research and practice. For aspiring entrepreneurs, rural areas

provide distinctive economic and structural options. These prospects might not present themselves without the growth of more interconnected entrepreneurial networks within these areas. Ecosystems in rural areas can offer the framework required for entrepreneurship to act as a catalyst for change in the region. Despite the important role of rural entrepreneurship, its prospects within the context of South Africa needs to be further explored as the basis for enacting enabling entrepreneurship policies. As Korsgaard *et al.* (2015) indicated, theoretical and practical research examining rural entrepreneurship remains scant, including how the context affects entrepreneurial practices, and how the latter affects local development. A few research studies on rural entrepreneurship are starting to emerge. Most of the researchers and literature focus on ‘entrepreneurship in rural areas’ rather than on rural entrepreneurship. Rural entrepreneurship has not only an objective context (i.e., rural places and settings), but also has an idiosyncratic element that is formed by the mindset of rural people.

The nexus and discourse between rurality and entrepreneurship requires further investigation by researchers. This contributes to our understanding of the particularities of entrepreneurship in the rural settings and open up numerous options for further research. As such, researchers are encouraged to keep exploring rural entrepreneurship and to develop different frameworks, approaches and methodologies that highlight the distinctive features of this area of research. These studies ought to look at both the micro-level traits of rural entrepreneurs and their businesses as well as the macro-level components required to create a strong local or regional ecosystem. Future research should advance the field of study while also recommending best practices to policymakers, practitioners and rural service providers. Programmes that assist level the playing field for urban and rural businesses must be developed using research-based solutions. The location of a business should not affect its success.

- **Establishing Entrepreneurship Development Policy Framework**

Although South Africa has legislation such as the National Small Business Act of 1996 and other government interventions, there is a need to develop a policy that is inclined towards creating an enabling environment that fosters growth and development of rural entrepreneurship. Rural

entrepreneurship and entrepreneurship in general, need to be an explicit priority of government policy framework, interventions and implementation. This action will allow rural entrepreneurship to be integrated into the different facets of the economy. The policy framework can significantly contribute towards an enabling environment for rural entrepreneurs and their enterprises. In other words, the entrepreneurship policy should put more emphasis on rural entrepreneurs and aim at addressing the various problems such as poverty alleviation, employment creation, economic prosperity, wealth or value creation, thereby ensuring economic development and growth of the rural communities. The only international measure of the level of entrepreneurship available for South Africa is the GEM study. In terms of opportunity entrepreneurship and new company activity, South Africa does poorly by GEM standards. This makes it essential for South African policymakers to give careful consideration to the creation and supervision of a regulatory environment that is enabling and one that fosters innovation and entrepreneurship.

6.6 CONCLUSION

The goal of this study was to look into the effects of rural entrepreneurship on local economic development (LED) in the Mogalakwena Local Municipality. Entrepreneurship serves as the catalyst for the generation of business ideas, the mobilization of physical, financial, and human resources, the establishment and growth of businesses, and the creation of jobs. Small and micro-sized enterprises in the private sector, including cooperatives, produce the great majority of jobs for the rural people; all of these companies make important contributions to the creation of new jobs for young people. Rural entrepreneurship has been examined in terms of its characteristics, importance, and obstacles. Rural entrepreneurship has been identified as one of the most important drivers of LED in this study. As a result, rural entrepreneurship has grown in importance due to its potential to improve local communities' economic conditions through reducing poverty, creating job and economic possibilities, promoting economic growth, income production, and creating value or wealth. However, despite this revelation, rural entrepreneurship faces mounting challenges such as lack of access to finance or financial support, lack of

skills/capacity, lack of access to markets, lack of infrastructure, stringent government regulations, high crime levels and stiff competition.

The study also found that rural entrepreneurship is widely characterised by factors such as rural distinctiveness, size, locality, small markets, nature of activities and businesses, and attributes of the entrepreneur. The study also reviewed the nature of LED with regard to the role of local government in LED, where it noted the important role played by the local government or municipalities in the planning and implementation of LED. Thus, government plays the role of facilitator, stimulator, regulator, creating an enabling environment and providing infrastructure services among others for entrepreneurial and LED activities to take place in rural areas of Mogalakwena Local Municipality. Overall, local government has an important role to play in creating an enabling environment for economic and entrepreneurial activities to take place in the rural areas of South Africa. In the municipality, economic considerations must take centre stage. To achieve this, the department responsible for economic development must play a significant part in integrating economic development initiatives across the municipality.

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APPENDICES

APPENDIX A: QUESTIONNAIRE



RESEARCH QUESTIONNAIRE ON RURAL ENTREPRENEURSHIP

AND

LOCAL ECONOMIC DEVELOPMENT

The questionnaire is designed to collect data for research study entitled *“Rural Entrepreneurship and its Implications on Local Economic Development in Mogalakwena Local Municipality, Limpopo Province”* for the degree, Doctor of Administration in Development Planning and Management This degree is registered

with the University of Limpopo, Faculty of Management and Law, School of Economics and Management, Department of Development Planning and Management.

The questionnaire is designed to collect information on the opinions and perceptions of individual rural entrepreneurs on Rural Entrepreneurship and Local Economic Development. Please assist by providing information required in this questionnaire.

The information provided for this study will be treated with the strictest confidentiality, no names will be disclosed, and all information provided will be used solely for research purposes.

Thanking you in anticipation for your participation

**SECTION A
DEMOGRAPHIC PROFILE OF THE ENTREPRENEUR**

This section aims to determine the demographic profile of the entrepreneurs (participants) in Mogalakwena Local Municipality. Please mark the applicable response with a cross (X).

A1	What is your gender group?				1. Male			2. Female							
A2	What is your age category? (in years)														
	1. 0-17			2. 18-35			3. 36-45			4. 46-55			5. 56 and above		
A3	Indicate your educational level														
	1. No schooling				2. Lower than matric				3. Matric			4. Certificate			
	5. Diploma					6. Degree			7. Other (Specify)						
A4	Indicate your employment status														

	1. Not employed		2. Employed		3. Self employed		4. Other	
A5	Which entrepreneurial skills do you possess for running your business?							
	A5.1. Financial management		A5.2. Strategic thinking		A5.3. Networking			
	A5.4. Communication		A5.5. Creative & innovative		A5.6. Interpersonal			
	A5.7. Good leadership		A5.8. Other (specify)					
A5	Indicate years of entrepreneurial experience							
	1. Less than 5		2. 6-10		3. 11-15	4. 16-20		5. 21 and above
A6	What is the source of such skills?							
	1. Through formal training		2. From past experience		3. From family			
	4. Other (Please specify)							

SECTION B
THE SIGNIFICANCE OF PROMOTING RURAL ENTREPRENEURSHIP IN RURAL AREAS

The purpose of this section is to examine the significance of rural entrepreneurship in Mogalakwena Local Municipality. **Please indicate mark the applicable response with a cross (X).**

B1	Where does the business operate?
-----------	---

	1. Outlying business area		2. Taxi rank		3. Work from home		4. Near shopping centre		
	5. Other (Specify)								
B2	In which sector does your business operate?								
	1. Wholesale trade		2. Construction		3. Manufacturing		4. Agriculture/forestry/fishery		
	5. Beauty saloon		6. Repairs		7. Fast food		8. Other (Specify)		
B3	How long has your business been operating in the area? (in years)								
	1. 0-3		2. 4-6		3. 7-9		4. 10-12		
							4. 13 and Above		
B4	What is the legal status of your enterprise (form of enterprise ownership)?								
	1. Not registered (informal)		2. In process of registering			3. Registered (formal)			
	4. Other (specify)								
B5	What was your source of start-up funding/capital?								
	1. Personal saving		2. Micro finance from an institution			3. Government/outside funding			
	4. Inheritance		5. Other (specify)						
B6	Please indicate your reasons for starting up or having the enterprise								
	1. Job creation		2. To be self-employed		3. No job opportunities		4. For extra income		
	5. Other (specify)								
Indicate the extent to which you agree or disagree with the following entrepreneurial traits, characteristics or skills.					1	2	3	4	5
					Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
B7	Creative and innovative								

B8	Risk taking					
B9	Ability identify and take advantage of opportunities					
B10	Problem solving					
B11	Good leadership					
B12	Financial management					
B13	Interpersonal and networking skills					
B14	Other (specify)					

SECTION C
THE CHALLENGES FACING RURAL ENTREPRENEURSHIP IN MOGALAKWENA MUNICIPALITY

The purpose of this section is to determine the challenges facing rural entrepreneurship in Mogalakwena Local Municipality. **Please indicate to what extent do you agree or disagree with the statements and mark the applicable block with a cross (X).**

		1	2	3	4	5
Type of challenges or factor influencing rural entrepreneurship		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
C1	Lack of finance, credit or start-up capital/ financial support					
C2	Small/limited access to markets					
C3	Lack of networking					

C4	Distant/lack of access markets					
C5	Stiff competition					
C6	Corruption					
C7	Lack of marketing initiatives					
C8	Lack of equipment					
C9	Lack of infrastructure (roads, transport, water, electricity, etc)					
C10	Expensive raw materials					
C11	Crime					
C12	Government regulations					
C13	Lack of skills (management, business)					
C14	Unable to keep skilled and young employees					
C15	Ageing labour					
C16	Lack/cost of technology					
C17	Other (Specify)					

SECTION D
THE ROLE OF LOCAL GOVERNMENT IN LED WITHIN MOGALAKWENA
MUNICIPALITY

This section aims to examine the role of local government in the promotion of local economic development in Mogalakwena Local Municipality. **Please mark the applicable response with a cross (X).**

What role(s) do you think the municipality play or should play in LED?		1	2	3	4	5
		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
D1	Provide funding or financial support					
D2	Training and skills development					
D3	Regulatory role					
D4	Develop infrastructure that enables businesses to operate					
D5	Provide assistance and information to businesses					
D6	Create enabling environment that promote economic growth					
D7	Other (specify)					
D8	What is the level of your knowledge of the LED unit in the municipality?		1. Yes		2. No	
D9	What kind of support do you get from the LED unit of the municipality?					
	1. Financial		2. Training/Skills development		3. Public infrastructure	4. Marketing
	5. Other (Specify)					
D10	Indicate how often you participate in LED forums within your municipality					
	1. Less often		2. Moderately		3. More often	4. Do not participate
D12	If you do not participate, what are the reasons for not participating					
	Did not know it exists		No interest		Never invited	Not applicable
					Other (Specify)	

D13	Which mechanism(s) are/were used for participation?										
	Workshops		Seminars		Meetings		Trainings		Not applicable		Other (Specify)

SECTION E
THE IMPLICATIONS OF RURAL ENTREPRENEURSHIP ON LED IN
MOGALAKWENA LOCAL MUNICIPALITY

The purpose of this section is to determine the implications of rural entrepreneurship towards local economic development in Mogalakwena Local Municipality. **Please indicate to what extent do you agree or disagree with the statements and mark the applicable response with a cross (X).**

		1	2	3	4	5
		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
E1	Business contributes adequately to employment creation					
E2	Business contributes adequately to poverty reduction					
E3	Business contributes adequately to income generation					
E4	Rural entrepreneurship serve as a mechanism for local economic development					
E5	Business is able to retain most of the employees in the area					
E6	Employees are viewed as the most valuable asset of the business					
E7	Business creates much value and wealth in the area					

E8	Business contributes to the overall living standard of the area														
E9	Other (Specify)														
E10	Indicate number of employees employed by your business														
	Myself only		Myself and family members		2-10		11-20		21-40		41-50		51-above		
E12	Indicate the monthly turnover (sales) of your business.														
	R1000 and below		R1001-R5000		R5001-R10000		R10001-R15000		R15001 and above						

SECTION F
MEASURES FOR EFFECTIVE RURAL ENTREPRENEURSHIP AND LOCAL ECONOMIC DEVELOPMENT

F1: Please indicate what can be done to address the LED challenges rural entrepreneurs face.

.....
.....

F2: Please indicate what can be done to address rural entrepreneurship challenges you face.

.....
.....

F3: What kind of support do you think is required from external institutions or the municipality, to promote rural entrepreneurship?

.....
.....

F4: In your view, what can be done to improve and accelerate LED and the rate of rural entrepreneurship?

.....
.....
F5. In your view, what role do you think rural entrepreneurs can play to promote and accelerate LED in the municipality?
.....
.....

Thank you for your cooperation and participation

APPENDIX B: INTERVIEW SCHEDULE



**INTERVIEW SCHEDULE ON RURAL ENTREPRENEURSHIP
AND
LOCAL ECONOMIC DEVELOPMENT**

The interview schedule is designed to collect data for research study entitled

“Rural Entrepreneurship and its Implications on Local Economic Development in Mogalakwena Local Municipality, Limpopo Province” for the degree, Doctor of Administration in Development Planning and Management This degree is registered with the University of Limpopo, Faculty of Management and Law, School of Economics and Management, Department of Development Planning and Management.

The interview schedule is designed to collect information on the opinions and perceptions of key informants on Rural Entrepreneurship and Local Economic Development. Please assist by providing information required in this questionnaire. The information provided for this study will be treated with the strictest confidentiality, no names will be disclosed, and all information provided will be used solely for research purposes.

Thanking you in anticipation for your participation

INSTRUCTIONS:

- 1. PLEASE ANSWER THE QUESTIONS AS OBJECTIVELY AND HONESTLY AS POSSIBLE**
- 2. PLEASE PROVIDE AS ADEQUATE AND SUBSTANTIAL INFORMATION AS POSSIBLE**

QUESTIONS:

1. What is the nature of rural entrepreneurship in Mogalakwena Local Municipality? E.g., number of rural entrepreneurs, entrepreneurial rate, etc.
2. In your view, how significant is rural entrepreneurship in Mogalakwena Local Municipality?
3. What are the challenges associated/facing rural entrepreneurship in Mogalakwena Local Municipality?
4. What kind of support/role does your institution provide/play towards rural entrepreneurs Mogalakwena Local Municipality?
5. What role(s) does your institution play in LED planning, promotion and implementation Mogalakwena Local Municipality?

6. To what degree are LED principles institutionalised within the municipality?
7. What are the key challenges or difficulties associated/encountered during LED planning, promotion and implementation Mogalakwena Local Municipality?
8. How can these challenges/difficulties be addressed?

9. What LED programmes/projects or initiatives are in place to promote rural entrepreneurship Mogalakwena Local Municipality?

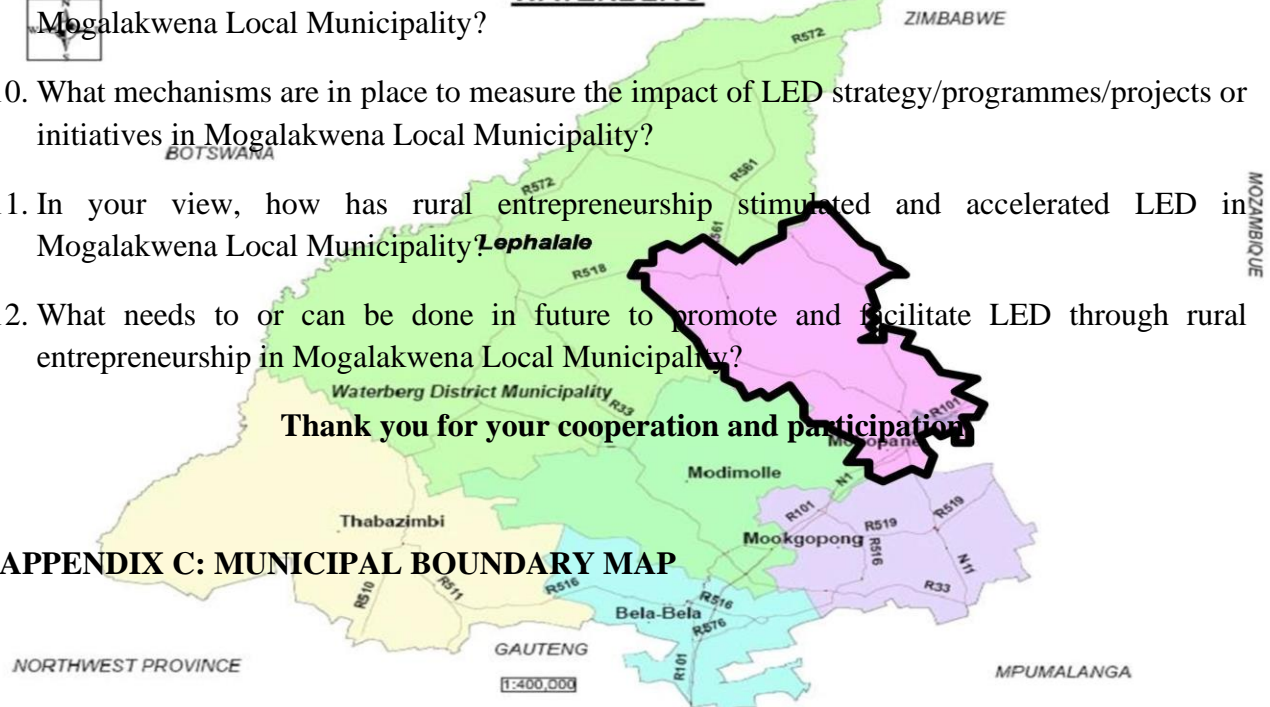
10. What mechanisms are in place to measure the impact of LED strategy/programmes/projects or initiatives in Mogalakwena Local Municipality?

11. In your view, how has rural entrepreneurship stimulated and accelerated LED in Mogalakwena Local Municipality?

12. What needs to or can be done in future to promote and facilitate LED through rural entrepreneurship in Mogalakwena Local Municipality?

Thank you for your cooperation and participation

APPENDIX C: MUNICIPAL BOUNDARY MAP



Source: MLM 2021/22 IDP

APPENDIX D: TREC CERTIFICATE



University of Limpopo
Department of Research Administration and Development
Private Bag X1106, Sovenga, 0727, South Africa
Tel: (015) 268 3935, Fax: (015) 268 2306, Email: anastasia.ngobe@ul.ac.za

TURFLOOP RESEARCH ETHICS COMMITTEE
ETHICS CLEARANCE CERTIFICATE

MEETING: 14 May 2019

PROJECT NUMBER: TREC/98/2019: PG

PROJECT:

Title: Rural Entrepreneurship and its Implications on Local Economic Development: A Case of Mogalakwena Local Municipality, Waterberg District, Limpopo Province.

Researcher: KA Mashamaite

Supervisor: Prof MP Sebola

Co-Supervisor/s: Prof MX Lethoko

Dr TM Ramoroka

School: Economics and Management

Degree: PhD in Development Planning and Management

PROF P MASOKO
CHAIRPERSON: TURFLOOP RESEARCH ETHICS COMMITTEE

The Turfloop Research Ethics Committee (TREC) is registered with the National Health Research Ethics Council, Registration Number: REC-0310111-031

Note:

- i) This Ethics Clearance Certificate will be valid for one (1) year, as from the abovementioned date. Application for annual renewal (or annual review) need to be received by TREC one month before lapse of this period.
- ii) Should any departure be contemplated from the research procedure as approved, the researcher(s) must re-submit the protocol to the committee, together with the Application for Amendment form.
- iii) PLEASE QUOTE THE PROTOCOL NUMBER IN ALL ENQUIRIES.

Finding solutions for Africa

APPENDIX E: DATA COLLECTION LETTER: MOKOPANE TRIBAL AUTHORITY



University of Limpopo
School of Economics and Management
Private Bag X1106, Sovenga, 0727, South Africa
Tel: (015) 268 4164, Fax: 0866219636, Email: millicent.ramoroka@ul.ac.za

To: Whom It May Concern
From: Dr TM Ramoroka
Co-Supervisor and Senior Lecturer
Date: July 25, 2019
Subject: Request to Conduct Field Work for Doctoral Research Project

Good day

Mr KA Mashamaite (200628173) is a registered for the Degree Doctor of Administration (Development Planning and Management) offered at the University of Limpopo in the Department of Development Planning and Management. To successfully complete the Degree, Mr Mashamaite has to complete a research project which is in the form of a Thesis as a prerequisite for the qualification. We are therefore, humbly requesting that you assist him by granting permission to conduct field work and collect data in your Village as his area of study. Please note that the information collected by the student during the field work will solely be used for academic purposes as prescribed by ethical considerations that are approved by the University of Limpopo Ethics Committee. The field work and data collection will take place between June and December 2019.

The student's details and the title of the study are as follows:

Student Name: Kgalema Abbyton Mashamaite
Student Number: 200628173
Research Title: Rural Entrepreneurship and its Implications on Local Economic Development:
A Case of Mogalakwena Local Municipality, Waterberg District, Limpopo Province



Thank you very much

Signed: MP Sebe 26/06/2019

Prof MP Sebe, Supervisor
School of Economics and Management

Signed: Lethoko 27/07/2019

Prof Lethoko, Co-Supervisor
Turfloop Graduate School of Leadership (TGSL)

Signed: TM Ramoroka 24/07/2019

Dr TM Ramoroka, Co-Supervisor
Department of Development Planning & Management



APPENDIX F: DATA COLLECTION LETTER: SEDA

Approved: 26/09/2019.
Business Advisor
STUDENT
WATERBERG
SEDA
K. Ramoroka
K. Ramoroka



University of Limpopo
School of Economics and Management
Private Bag X1106, Sovenga, 0727, South Africa
Tel: (015) 268 4164, Fax: 0866219636, Email: millicent.ramoroka@ul.ac.za

To: Whom It May Concern
From: Dr TM Ramoroka
Co-Supervisor and Senior Lecturer
Date: July 25, 2019
Subject: Request to Conduct Field Work for Doctoral Research Project

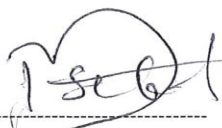
Good day

Mr KA Mashamaite (200628173) is a registered for the Degree Doctor of Administration (Development Planning and Management) offered at the University of Limpopo in the Department of Development Planning and Management. To successfully complete the Degree, Mr Mashamaite has to complete a research project which is in the form of a Thesis as a prerequisite for the qualification. We are therefore, humbly requesting that you assist him by granting permission to conduct field work and collect data in your Institution as his area of study. Please note that the information collected by the student during the field work will solely be used for academic purposes as prescribed by ethical considerations that are approved by the University of Limpopo Ethics Committee. The field work and data collection will take place between June and December 2019.

The student's details and the title of the study are as follows:

Student Name: Kgalema Abbyton Mashamaite
Student Number: 200628173
Research Title: Rural Entrepreneurship and its Implications on Local Economic Development: A Case of Mogalakwena Local Municipality, Waterberg District, Limpopo Province


Thank you very much

Signed:  26/06/19

Prof MP Sebola, Supervisor
School of Economics and Management

Signed:  24/07/2019

Prof Lethoko, Co-Supervisor
Turfloop Graduate School of Leadership (TGSL)

Signed:  24/07/2019

Dr TM Ramoroka, Co-Supervisor
Department of Development Planning & Management

