

4.15 A Study on the factors that affect establishment of businesses by rural entrepreneurs

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ABSTRACT

In Sri Lanka, as in other developing countries community development is considered as the development of the rural poor. It is estimated that 88% of the poor communities live in rural areas in Sri Lanka. Rural entrepreneur is a crucial entity of the rural community. As far as the economic development is concerned it is important to address their needs and problems when bridging the gap between poor and rich. A policy strategy recognizing the challenges facing rural entrepreneurs could do much to reduce the regional disparities and rural poverty in Sri Lanka. Rural entrepreneurship is one of the newest areas of research in the entrepreneurship field. It has become one of the significant supportive factors for rural economic development.

This study which explored the factors that affect rural entrepreneurs was carried out in selected villages of seven districts namely Anuradhapura, Monaragala, Nuwara Eliya, Kegalle, Kaluthara, Puttalam and Ratnapura. The study covered the rural areas in each district. The Vidatha Resources Centers¹, initiated by the government is facilitating technology transfer with a view to promote rural entrepreneurship. Even though many resources have been spent through the Vidatha Resources Centers, the majority of existing and potential entrepreneurs are yet to realize the way to run their business successfully.

The main objective of this study was to identify the factors influencing rural entrepreneurs when establishing and expanding their business with a view to fill the knowledge gap in real problems of rural entrepreneurs to be addressed during the process of planning and thereby to maximize output from rural entrepreneurship development programmes. The research process was divided into two phases. In the first phase, secondary document analysis and informal interviews with key entities were carried out. The second phase was characterized by in-depth interviews with female and male entrepreneurs in rural villages, Science and Technology Officers and Field Officers at the Vidatha Resources Centers.

The hypotheses tested were that, whether the level of education, age of the entrepreneur and a marketing plan at the beginning influence the success of the establishment and the level of income from the enterprise.

¹ Vidatha Resource Centers have been established in rural areas under the purview of Ministry of Science and Technology with a view to facilitate technology transfer from local R&D Institutions/Universities to the rural community

Key findings of this study were that the level of education, age of the entrepreneur and a marketing plan at the beginning influence the success of the establishment and the level of income from the enterprise. Most of the entrepreneurs who had a marketing plan at the beginning (before establishing the enterprise) have been able to carry out their business successfully and withstand the market forces. It was found that previous experience in the relevant business field, gender of the entrepreneur, availability of new technology, limited access for micro-credits, availability of training programmes and lack of business development for service providers at rural level do not have a significant influence on the success or failure of the enterprise. Since majority of them have utilized their own savings to start up the enterprise, there is no significant influence of limited access to sources of micro credit at the point of establishing the business. However, it was observed that they face difficulties due to limited access to sources of micro-credits when they are going to expand their business further.

The reasons for failure of enterprises were also surfaced in this study. Lack of training, difficulty to find a market, inability to find micro-credits and market competition are some of the reasons for failure as given by the entrepreneurs.