

RISKS AND FACTORS CONTRIBUTING TOWARDS RURAL ENTREPRENEURIAL ORIENTATION GROWTH OF BUSINESS IN AN EMERGING ECONOMY

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Abstract

This paper examines risks and critical factors contributing to the rural entrepreneurial orientation growth of businesses. The concept of entrepreneurial orientation and various factors influencing the rural entrepreneurial orientation growth are still not well known. The study aimed to assess risks and critical factors affecting rural entrepreneurial orientation growth of businesses. Questionnaire was developed and used to collect primary data from 127 rural entrepreneurs. The sample was made with small and medium entrepreneurs operating in rural places. They were selected using quota sampling, with respondents completing a questionnaire with the assistance of an interviewer. The study used quantitative technique for data collection. SPSS (23.0) version was used for data analysis and scientific statistical significance level found to be (.000*) at the Cronbach's alpha (.791*) reliability. Results of the survey reveal that majority indicates competition as a big challenge for them. Findings further indicate that competitor is due to the small market and lack of products differentiation. This study introduces an additional literature in the field of entrepreneurship with specific reference to rural entrepreneurship. The paper will benefit rural entrepreneurs, entrepreneurial marketing managers, potential young entrepreneurs, business consultants, policymakers, financial institutions, government agencies and all affiliated stakeholders by introducing a new understanding of risks and various critical factors causative into rural entrepreneurial orientation growth of business in an emerging economy. Most work on the entrepreneurship development has concentrated in the urban areas with little emphasis on the rural places. The findings of this study limited by study's exploratory, small sample and quantitative nature. Therefore, generalisation of results should be done with care and further research is encouraged and should aim at the development of technical skills that will empower and encourage entrepreneurial orientation growth culture among rural and young entrepreneurship in the developing and emerging economies countries.

Keywords: Rural Entrepreneurship, Emerging Economy, Business Orientation, Risks

1. INTRODUCTION

The development of rural entrepreneurship and its growth obstacles does not depend only on the internal and external factors only, but entrepreneurs' orientation to grow plays a fundamental role in the survival and growth of the business (Amoah-Mensah, 2013). The risks and various environmental factors contributing to the performance of an individual entrepreneur should identified and considered in order to elevate the survival and growth as well as entrepreneurial orientation growth for rural SMEs (Aruwa, 2013). According to Dragić, (2014) combination of various factors effect seems to play an important role in determining the survival and growth of the SMEs. These factors include the state of the economy, sector, and type of customers, market roles, and technology and product innovation. Entrepreneurial orientation which is perceived to

have impact on the firm performance (Algre and Chiva, 2013) needs to be clearly understood by all stakeholders as this is the phenomena presenting an individual orientation of a person searching for new business opportunities and then, as processes, practices and decision -making activities, on the level of enterprise (Elenurm, 2006).

Therefore, the overall aim of this study is to determine the risks and examine critical factors influencing the entrepreneurial orientation growth of small businesses operating in rural places with specific reference in the Southern Region of KwaZulu - Natal province. This overall aim is guided by the following objectives:

- Identify critical factors affecting entrepreneurial orientation growth of business in southern region of rural in KZN; and
- To examine to what extent these factors influence entrepreneurial orientation growth of business in southern region of rural in KZN.

1.2. Research Problem

Most new, small-scale industries in SA do not grow beyond the survival stage (Olawale and Garwe, 2010; Chimucheka and Mandipaka, 2014). This problem also stated by Estrin and Mickiewicz (2011) that entrepreneurship and SME creation still remain lower in transition economies such as South Africa than in other developing countries despite the fact of been more than 21 years of democracy. Martin (2013) adds that small business growth is the challenges for SME owner/managers include expansion, management and business practices. Roper and Hart (2013) maintain that among SMEs high growth is often episodic and not sustained. This problem seems to be the act caused by lack of knowledge and an understanding of the factors that affect the growth and survival of enterprises in rural areas. Fakoti and Asah (2011) state that one of the factors limiting the survival and growth of SMEs in SA is non-availability of debt financing. Zhou and De Witt (2009:34) add that, although the determinants of firm growth have been studied in various disciplines, an integrated analysis is still lacking. SA's entrepreneurial activity is improving but still lags behind some international countries, such as India and Brazil (Entrepreneurial dialogues, 2011). Henderson (2006); Carree and Thurik (2015).

1.3. Aims and Objectives

Aim

The study aimed to determine critical factors examining and describing the impact on the rural entrepreneurial orientation growth of business in Southern Region of KwaZulu - Natal province.

Objectives

- To identify critical factors affecting entrepreneurial orientation growth of business in southern region of rural in KZN;
- To examine to what extent these factors influence entrepreneurial orientation growth of business in southern region of rural in KZN; and
- To suggest the steps that should be taken to improve entrepreneurial orientation of rural SMEs in South Africa.

2. LITERATURE REVIEW

2.1. Rural entrepreneur

Rural entrepreneurs refer to those who carry out the business in rural areas with the utilisation of local resources. In so doing they increase the standard of living and purchasing power of the people, by offering employment opportunities to people in the villages (Gandhi and Mohan, 2014). They are those people who perform the entrepreneurial activities, in establishing industrial and business units in the rural sector of the economy. In simple terms, rural entrepreneurship can be defined as rural industrialisation (Bad, Patel, Patel and Tare, 2013; Ahamad and Pandey, 2015; Korsgaard and Müller, 2015). Cabus (2009) states that rural entrepreneurship exists, leading to an economy in

rural areas that is far from being ignorable. The rural entrepreneur is engaged in a variety of activities, much broader than agriculture, resulting in an economic portfolio that mainly consists of activities in other sectors. Moreover, rural entrepreneurs are dynamic, but the importance of ambitious start-ups remains rather low, indicating that many start-ups have to be considered as a type of 'out of necessity' entrepreneurship. Gupta, Guha and Subramanian (2013) articulate that the history of the enterprise, the entrepreneur's characteristics, and different agencies, such as market and government, as well as geography, are some of the factors influencing enterprises' growth.

2.2. Rural entrepreneurship

Rural entrepreneurship is that type of entrepreneurship which ensures value addition to rural resources in rural areas, engaging largely rural humans (Bad, Patel, Patel and Tare, 2013). Many communities in rural SA are still living in poor conditions (Van der Walt, 2006:2), with SMEs operating in most rural and lagging areas, constituting an integral part of the local economy and a major source of employment as argued by Meggheri and Pelloni (2006). Africa's economies today are becoming more dynamic, and agricultural growth is catalysing broader rural growth (Willebois, 2011) and on that basis Wright and Stigliani (2013) suggest there is a greater need to understand the processes that underlie entrepreneurial growth.

Rural entrepreneurship implies emerging entrepreneurship in rural areas, in other words, establishing industries in rural areas. This means rural entrepreneurship is synonymous with rural industrialisation (Saxena, 2012; Patel and Chavda, 2013). The field of entrepreneurship is widely acknowledged to lack a single unified and accepted definition for the term "entrepreneurship" (Gedeon, 2010). Entrepreneurship is considered to be a dimension of strategic posture, and, thus, all manner of organisations may behave entrepreneurially. This strategic posture encompasses a firm's risk-taking propensity, its ability to be competitively aggressive, proactive manners, and product innovation (Covin and Slevin, 1991). Rural entrepreneurship represents the informal sector of the economy, characterised by small-scale businesses, involving petty traders and artisans (Ibukunoluwa and Oluwadamilola, 2012). Rural entrepreneurship can be considered one of the solutions to reduce poverty, migration, economic disparity, and unemployment and to develop rural areas and backward regions (Raghurama, 2012).

However, rural entrepreneurship today is a major opportunity for those who migrate from rural areas or semi-urban areas to urban areas. On the contrary, it is also a fact that the majority of rural entrepreneurs are facing many problems due to unavailability of primary amenities in rural areas of developing countries. Lack of education, financial problems, insufficient technical and conceptual ability make it difficult for rural entrepreneurs to establish industries in rural areas (Gowrishankar, Raja and Prasad, 2014).

Colette and McElwee (2014) argue that there is little difference between a rural and non-rural enterprise, in terms of structure, or how the business is organised/managed, or how the

characteristics of the individual entrepreneur are exhibited. Thus, it would appear that there is no specific category for, nor definition of, a rural entrepreneur, beyond that of 'an individual who manages a venture in a rural setting'. However, according to Bosworth (2013), rural areas are no longer dominated by agricultural employment and productivity farming; they are, instead, a mosaic of economic activity that increasingly mirrors more urban areas.

2.3. The Importance of Smes in a Country's Economy

Entrepreneurial activities not only enhance national productivity and generate employment, but also help to develop economic independence, as well as strengthen personal and social capabilities among rural communities (Sarma, 2014; Ramukumba, 2014; Gutha, 2015). SMEs are generally regarded as the engine of economic growth and equitable development in developing economies. They are labour intensive, capital saving and capable of helping create most of the one billion new jobs the world will need by the end of the century (Lalkaka, 1997 in Agwu and Emeti, 2014). SMEs often offer specialised services or products in a more efficient manner, as opposed to larger companies (Gjini, 2014). Mazumdar and Ahmed (2015) state that small scale businesses play an important role in ensuring the survival of poor household and in building up women's confidence, skills and socio economic status. This also supported by Saxena (2012) who discusses the benefits of rural entrepreneurship as follows:

- **Provide employment opportunities:** Rural entrepreneurship is labour intensive and provides a clear solution to the growing problem of unemployment. Development of industrial units in rural areas through rural entrepreneurship has high potential for employment generation and income creation.
- **Check on migration of rural population:** Rural entrepreneurship can fill the big gap and disparities in income between rural and urban people. Rural entrepreneurship will bring in or develop infrastructural facilities such as power, roads, and bridges and so on, while also helping to check the migration of people from rural to urban areas in search of jobs.
- **Balanced regional growth:** Rural entrepreneurship can dispel the concentration of industrial units in urban areas and promote regional development in a balanced way.
- **Promotion of artistic activities:** The age-old rich heritage of rural India is preserved by protecting and promoting art and handicrafts through rural entrepreneurship.
- **Check on social evils:** The growth of rural entrepreneurship can reduce the social evils, such as poverty, growth of slums, pollution in cities, and so on.
- **Awaken the rural youth:** Rural entrepreneurship can awaken the rural youth and expose them to various avenues to adopt entrepreneurship and promote it as a career.
- **Improved standard of living:** Rural entrepreneurship will also increase the literacy rate of rural populations. Their education and self-

employment will prosper the community, thus increasing their standard of living.

The EU Rural Review (2011) indicates that enterprise and entrepreneurship are the drivers of economic growth in Europe's rural areas. The report highlights that, with the ongoing challenges facing traditional rural sectors, the future success of the rural economy is inextricably linked to the capacity of rural entrepreneurs to innovate, and to identify new business opportunities that create jobs and income in rural areas. In Vietnam, entrepreneurship development, in the form of SMEs, has emerged as a strong agent for socio-economic diversification (Benedikter, Waibel and Birtel, 2013).

The role of economic enterprises has recently become more prominent, with SMEs in particular, contributing significantly to the creation of new jobs (Johari, 2012). According to Thaddeus (2011), SMEs are the business model often used by entrepreneurs to participate in economic development of their environment, such as the employment rate and poverty alleviation. SMEs represent the basis of economic development. It has been noticed that because of their characteristics, SMEs are far more flexible and responsive to the frequent changes that occur in the contemporary, global environment, than large enterprises (Stefanović, Milošević and Miletić, 2009). In addition, SMEs played an important role in the development of several countries, as they constitute a major part of the industrial activity, both in developed and developing economics, such as SA (Pandya, 2012).

2.4. Conceptual Framework of Rural Entrepreneurial Orientation

Two primary theoretical conceptualisations form the basis of the study of entrepreneurial orientation (EO), namely, a uni-dimensional or a multi-dimensional approach, with the method shaped by how the individual concepts of EO are appraised. EO is viewed as a unified, conceptual entity in the uni-dimensional approach (Miller, 1983), where the dimensions of entrepreneurial orientation, although different, vary with each other. Miller (1983) states that high levels of all the dimensions have to immediately be reduced by entrepreneurial firms. EO is the development of entrepreneurial skills, effective and efficient application of the skills in the management of business to create a significant difference from other business, and recognising the skill, as well as allowing it to function effectively (Ogundele, Akingbade and Akinlabi, 2012). EO is concerned with the firm-level, strategic process, used to obtain a competitive advantage (Zulkifl and Rosli, 2013). According to Jesselyn (2012) only a small fraction of SMEs are successful in achieving exceptional performance and sustainable growth, due to the lack of a conceptual framework, with regard to innovative performance and capacity, organisational search, market orientation and EO. It has further been found that entrepreneurial orientation, environmental factors, human capital and organisational characteristics impact entrepreneurial performance and growth (Hosseini and Eskandari, 2013; Tadić, Barać and Plazonic, 2015; Muchiri and Adela, 2015). According to Barmon and Chakraborty (2013) the EO to rural development accepts entrepreneurship as the

central force of economic growth and development; without entrepreneurship, other factors of development will be wasted or frittered away. However, should entrepreneurship really be encouraged in rural areas, it would, of course, be instrumental in changing the face of rural areas by solving the problems of unemployment, poverty, economic disparity, poor utilisation of rural capacity, and a low level of living standard (Saxena, 2012).

2.5. SME Industry Development from an International Perspective

All over the world, SMEs are shown to play crucial roles in a variety of different economies (Almutairi and Sathiyarayanan, 2015). According to Witbooi, Cupido and Ukpere (2011), entrepreneurial activities around the world account for, on average, about 70 percent of the global Gross Domestic Product (GDP). However, in SA, entrepreneurial activities only share 40 percent of the country's GDP. With an unemployment rate of approximately 25 percent, accelerating entrepreneurial activity becomes crucial in a developing country, such as SA. In a study conducted in Turkey, on the intensity of small business owners and the environmental difficulties they encountered, as predictors of growth intentions, it is highlighted that financing problems and the lack of know-how have a significant relation to growth plans (Eniola and Entebang, 2015).

Bangladesh Prime Minister (2010) suggests that, since SMEs are the biggest employer of industrial workers in that country, and also suggested at the small and medium enterprises (SMEs) the fair now requires to be formulated as policies and implemented efficiently, to attain various goals that would essentially include a balanced development of the country. The OECD Economic Survey (2012) indicates that, to encourage the formalisation of small firms, lessening red tape, through simplification of the licensing process, and lowering tax compliance costs, would help to enhance the quality of human resources in Indonesia and would benefit the SMEs.

A study conducted in Indonesia by Tulus (2007) points out that the main limitations small entrepreneurs face are insufficient working capital and marketing difficulties, along with low support of SME development from government programmes. In addition, Agwu and Emeti (2014:101-114) maintain that major challenges in SMEs' performance are comprised of poor financing and inadequate social infrastructure, as well as the lack of managerial skills and multiple taxation.

According to Nyang'ori (2010) in the enlarged European Union (EU) of 25 countries some 23 million SMEs provide around 75 million jobs and represent 99 percent of all enterprises. SMEs in the European Union's (EU) share of total employment, between 2002 and 2010, was 80 per cent and these small enterprises accounted for 99.8 percent of the 20.8 million non-financial enterprises in 2010 (EIM Business and Policy Research, 2011). In Britain, for instance, SMEs are considered the backbone of the British economy (Rowe, 2008). According to the Department for Business, Enterprise and Regulatory Reform's (BERR) Enterprise Directorate Analytical Unit, the United Kingdom's (UK) economy is 99

percent SMEs, employing 14.23 million people, out of a working population of approximately 30 million. In terms of UK turnover and GDP, the UK SMEs account for 1.48 trillion sterling (British Pounds). SMEs (with at least one employee) outperform the large UK Corporations in terms of productivity, despite having minimal resources, little support and being largely ignored. Large UK Corporations of 250 employees and over account for 52 percent of employment but only 50.8 percent of the UK's turnover (ibid). Thus, the UK economy is supported by SME performance, and improving performance will have a substantially, positive effect on the entire UK economy.

Similarly, SMEs are the backbone of Singapore's economy, contributing 47 percent of the country's GDP and generating 62 percent of available jobs (SMU, 2008 in Nyang'ori, 2010). SMEs in the United States of America (USA) employed about 60 million of non-farm, private sector workers in 2006, further constituting 99.9 percent of the 27 million employer and non-employer, private non-farm businesses (United States International Trade Commission, 2010). A report from the Asian Pacific Economic Cooperation member countries shows that 90 percent of all enterprises are SMEs, employing 32 to 84 percent of the population (Desouza and Awazu, 2006). In Africa, a study, conducted by Okpara (2011) in Nigeria, reveals that a lack of financial support, poor management, corruption, lack of training and experience, poor infrastructure, insufficient profits, and low demand for product and services are the most common constraints hindering small business' growth and survival. SMEs in Ghana account for only 15.55 percent of the total labour force and contribute six percent to the GDP (Kayanula and Quartey, 2000).

Gao and Banerji (2015) stipulate that, by the end of 2012, 80% of China's employment and 60% of the country's GDP had been provided by the 13 million SMEs that constitute more than 99% of all the country's enterprises. In addition, the sector had also produced 60% of exports, while contributing 50% of the total taxation revenue. Since the start of market-oriented reforms in 1978, and even though most SMEs in China only came about in the last 30 years, Li (2013) states that these small enterprises have been vitally operative in helping the Chinese economy soar and are seen to be fundamental to the successful attainment of the new 'Five-Year-Plans'. Chinese SMEs are, however, facing a series of external and internal factors that, after a period of rapid development, have substantially effected their growth adversely.

2.6. Understanding the Entrepreneurial Orientation Concept

Researchers of entrepreneurship use the term 'entrepreneurial orientation' (EO) to describe the entrepreneurial, key decision-makers' strategy-making processes. These processes aid in maintaining organisational purpose, achieving their vision and creating competitive advantage (Rauch, Wiklaund, Lumpkin and Frese, 2009). Early literature on this subject affirms that EO is a construct that has its origin in strategy-making processes (Mintzberg, 1973) and encompasses preparation, forecasting and planning, along with analysis and

decision-making, as well as several cultural, value system, and mission-related aspects of an organisation (Hart, 1992). Thus, EO is representative of practices and policies that produce the subsequent entrepreneurial decisions and actions (Rauch et al, 2009).

2.7. Individual Entrepreneurial Orientation

EO is basically, as defined earlier, representative of entrepreneurial behaviour displayed in conducting business. Literature review studies in this field show that it has been applied at an individual level, whereby the behaviour of business owners and managers are assessed on a personal level or it can apply at an organisational level, by measuring the firm's entrepreneurial actions through their policies and practices (Goktan and Gupta, 2015). According to Lechner and Gudmundsson (2015), there are different impacts of individual entrepreneurial orientation dimensions on competitive strategy and the effects of cost leadership as well as differentiation on performance. This means that SMEs owner/manager leadership style contribute the overall percentage of business performance including its growth.

2.8. Differentiating Entrepreneurship from Entrepreneurial Orientation

According to Lumpkin and Dess (1996), EO and entrepreneurship are distinguishable from each other. In the context of new venture creation, EO is recognised as a process construct, which relates to the method, practices and decision-making styles managers use, effectively addressing how it is achieved. Entrepreneurship, however, is related to the content of entrepreneurial decisions by addressing what is undertaken and is based on decisions, for example, the type of business to be undertaken. This differentiation leads to the reasoning that EO is essentially related to how entrepreneurs implement entrepreneurship in order to achieve their career ambition (Hun and Deschoolmeester, 2003).

EO has received much conceptual and empirical attention from entrepreneurship academics (Rauch, Wiklund, Lumpkin and Frese, 2009), while it is encouraged by researchers as an effective means to improve business performance because of the key elements it encompasses (Fatoki, 2012). EO, as evaluated along the constructs of pro-activeness, innovativeness and risk-taking, is also associated with the improved competitive advantage of organisations. Business owners of smaller companies influence their firms' EO directly because of their close involvement in most of the businesses' operating aspects (Covin and Slevin, 1989). This is, therefore, particularly relevant to SMEs due to their firm size. Higher actualisation of EO can be simply achieved by the owner embracing attitudes that will encourage business growth.

2.9. Determinants of Survival and Growth of Rural SMEs

Many researchers, such as Sarani, Shahpasand and Savari (2013), stress that the most important barriers to entrepreneurship, in general, are personal

and physiological, cultural, social and economic factors. Zalkifli and Rosli (2013) state that determinants of business success are diverse in nature. It is, therefore, difficult to attribute the success or failure of a small firm to a universal set of measurements used to gauge business successes. Although measurements are suitable for large corporations, they may, sometimes, not be appropriate for small businesses, such as rural businesses (Coy, Steven and Omer, 2007). Thus, the actual root of success may lie in a combination of internal and external factors, within which the small business operates. Papzan, Zarafshani, Tavakoli and Papzani (2008) highlight that some of the factors determining the success of rural entrepreneurs are causally related to innovativeness, need for achievement, lack of bureaucracy, internal locus of control and marketing opportunities.

Peters and Brijlal (2011) find a relationship between the owner's/manager's level of education and the businesses' ability to grow, by increasing its labour force and annual turnover. Furthermore, Chachar, De vita, Parveen and Chachar (2013) show that family background, age of entrepreneur and management style, in relation to owners/managers education, contribute to SME development, and are seen as determinants correlating to the growth of the industry. The skills of leadership, creativity and innovation, networking and trust, time management and goal setting, as well as commitment, are confirmed as important for the success of SMEs (Mbuya, 2011).

Clover and Dorroch (2005) echo the sentiment that, in KZN, a lack of access to services; funding constraints at start-up; lack of management capacity in the enterprise; access to tender constraints; compliance costs associated with VAT and labour legislation; liquidity stress; lack of collateral; and the lack of institutional support are the main dimensions of constraints for the survival and growth of SMEs. Poor infrastructure, poor management and poor recordkeeping are also principal constraints to business survival and growth (Okpara and Pamela, 2007). McPherson and Rous (2010) indicate that access to credit is not a significant determinant of small firm growth. Hamelin (2009) argues that firm growth is not limited only by financing constraints but also by family-related attitudes and increasing firm growth requires policies that shape incentives in small family businesses. Firm growth is found by Mateev and Anastotason (2010) to be determined, not only by the traditional characteristics of size and age, but also by other firm-specific factors, such as indebtedness, internal financing, future growth opportunities, process and product innovation, and organisational changes.

Khan and Siddiqi (2004) find that internal and external sources of financing business; the marketing orientation of an entrepreneur; volume of sales; market size; risk taking attitude of the entrepreneur; industry potential growth; entrepreneurship experience; networking abilities; innovations (in terms of introduction of new products); new processes and major improvements in existing systems; diversification (in terms of products); on-the-job training activities; utilisation of unique know-how; and price adaptability, are found to be important factors affecting a firm's growth.

Philip (2010) adds that characteristics of SMEs, management and know-how, and products and services, as well as the way of doing business and cooperation also influence business success, along with resources, finance and the external environment.

2.10. Rural Entrepreneurship Industry as Determinant for Growth

Hansen, Rand and Tarp (2010) indicate that classical determinants of firm dynamics include that of firm size, location, innovative capacity, owner's prior experience, as well as state institutions. These are for both survival and growth, while receiving government support during start-up had a separate and positive influence on long-run growth, especially for rural and non-household enterprises. In a study conducted in KZN by Wynne and Lyne (2003), government policies are highlighted as a potential focus for absorbing some of the transaction costs, by improving education, physical infrastructure and technology transfer. Other important interventions include the provision of mentoring and training services for new managers, including institutions, along with legal and financial management instruction. Clover (2004) believes that public-private sector institutions can identify policies and strategies to increase the survival and growth rates of SMMEs, if they have more information about the factors that constrain business performance, and the link between entrepreneurial quality and enterprises.

The significant importance of the location factor in the development of entrepreneurship and small business performance is argued by Minai and Lucky (2011), who suggest that the location factor should be given urgent consideration as a vital factor that would positively affect small business performance. South African rural economic development has been impeded by poor infrastructure and unemployment, with little or no access to vibrant markets characterising many South African rural communities (Ladzani, 2003). According to Agbenyegah (2013), the key challenges facing the South African rural industry area lack of assistance, an unfriendly business environment and the lack of collateral.

2.11. Rural Entrepreneurial Resources

Harrison and Gibson (2006) show that the inability of small business owners to match their products or services with the demands of the external environment is a major challenge for their strategic growth. SME owners'/managers' level of formal education, access to and use of new technologies and weak management skills also limit the SMEs' survival and growth (Mensah, 2004). Lyons (2002) supports the idea further that SMEs' owners/managers themselves are lacking in the necessary skills and capabilities required for business start-up and operations.

The Sustainable Agriculture and Rural Development (SARD) policy (2007) draws attention to rural enterprises being characterised by many difficult factors, such as limited resources and because of their small size, scattered nature and remoteness, the transaction costs of rural activities are high, mostly the result of the time required to

ensure that standards are met. Rural enterprises face business risks that range from managing the power imbalance they find themselves in versus larger firms, to buyers that can influence terms, conditions and standard requirements. In addition, rural enterprises have limited access to timely market information, mainly due to the country's weak transport and communications infrastructure, specifically in rural KZN. SARD policy (2007) states that make it very difficult for rural enterprises to participate in a high value market.

Ghisett, Mazzant, Mancinelli and Zoli (2015) point out that the growth of SMEs has been hampered by a variety of barriers, erected directly or indirectly by the state of the environment. Due to fiscal policy constraints, more specifically high tax rates, financial constraints in the institutional environment are major barriers for SMEs, which have a huge influence in encouraging many SMEs to conduct their activities in the informal sector of the economy. Beck and Demirque-Kunt (2005) explain that many SMEs are survivalists who need continuation of existence and growth beyond their start-up phase. However, the authors believe that this sector is often faced with difficult challenges, such as market deficiencies and institutional faintness, which hinder their growth. Booyens (2011) offers policy recommendations, stating that the government should encourage the growth of "knowledge networks" that will offer SMEs the opportunity to more easily exchange information with domestic and large, international firms.

2.12. Rural Enterprise Networks

De Klerk and Saayman (2012) indicate that networking plays an important role in the managerial skill of SME owners/managers operating in an informal setting, such as that of the rural entrepreneur, and, thus, strong relationships are built with other business people to survive and enhance their competitiveness. The improvement of networking between business leaders has been suggested as an appropriate business structure that can improve business in the rural areas of SA (Pooe and Mafini, 2012). Besser and Miller (2011) find business networks, through which formal arrangements between independent businesses are established to enhance member success, to be generally accepted as an important strategy in helping small businesses survive and prosper. Smith and Lohrke (2007) continue that, through networking, entrepreneurs can make a significant contribution to social capital which, in the long-term, returns to increase a new venture's likelihood of success. According to Jamalzadeh, Behravan, Espahbodi and Masoudi (2012), location of the business was, in the past, considered as an important factor by business owners when launching a business. However, this was done only in highly populated areas, such as urban townships, and not in some other geographical areas, such as rural, where networking is entirely dependent on word-of-mouth for referrals and patronage increase, due to the lack of internet connectivity (Nelson, 2004). This is to say that rural entrepreneurs need to change their business practices with regard to marketing promotional strategies in order to increase their business

networking. They should start using Morden technologies such as social media as their business networking tool.

3. RESEARCH METHODOLOGY

The study was conducted in different rural places in rural KwaZulu - Natal areas, which include north and south of province of KwaZulu-Natal. A comprehensive literature was conducted and used as sources of questionnaire formulation. 127 SMEs were asked to complete 10 page questionnaires to get empirical data for this survey. A Closed - ended questionnaire with 5 likert scale were distributed to the SMEs owners/managers business premises with the aid of research assistants. Prior appointments were made through telephone. The respondents were giving 14 days to complete questionnaire. Data was purely quantitative, and it was analysed by the use of Statistical Package for the Social Sciences (SPSS) program (version) 23.0 to test the significance of the results and later presented in the figures.

Table 1. Summary of statements key questions

There are many businesses selling products similar to my products
I do have a business plan that assists in guiding me how to keep my business operational
The business has the capacity to cope with environmental uncertainties
The primary goal of the business is to increase market share through product improvement strategies

Target population: The target population of this study was 127 SME owner/managers operating in selected rural areas of the south region of KZN

Questionnaire administration: The study used closed-end structured questionnaire as a measuring

instruments to make the results valid and reliable as per the content and predictability of research. The questionnaire was used to measure the variables across the South Africa rural SMEs in KZN.

Data collection: The study used closed-end questionnaire for data collection. Primary data was collected from 127 SMEs operating in rural KZN. This research was quantitative in nature and a questionnaire was used to collect data from SMEs owners/managers in rural KZN.

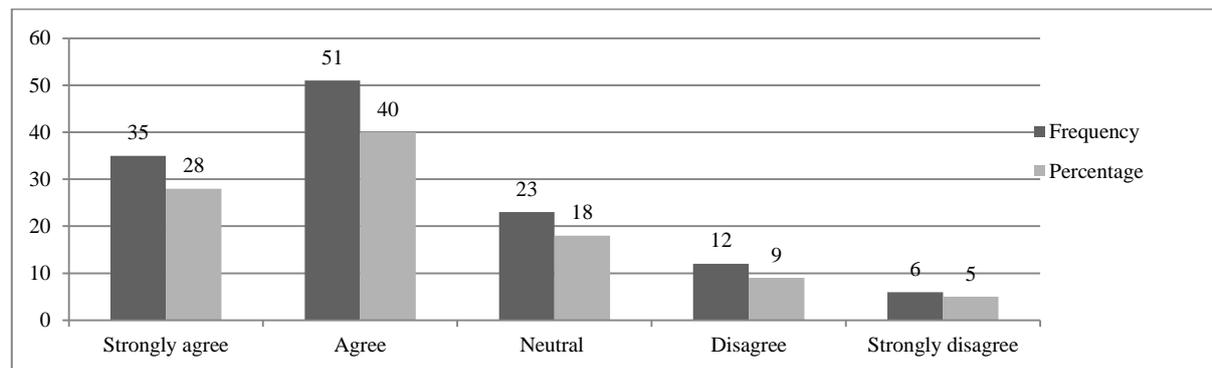
Analysis of research data: Frequencies were used to determine how often a respondent made a certain response to particular question, and were also used to check the coding of data. The descriptive statistical analysis method was used to determine extent of factors influence on the survival and growth of rural SMEs in KZN. A chi-square test analysis was also done using the correlation analysis; Spearman rho test was applied to determine the relationship between the variables, Cronbach's coefficient alpha was performed for internal consistency tests to confirm the validity and reliability of the results; and the Mann-Whitney U test was done to identify non-parametric variables

Reliability and validity: 127 SMEs were selected as the respondents for this study to ensure that the results will be reliable and trustworthy. Further face validity and construct validity were done prior to the interviews for this study.

4. RESEARCH FINDINGS

The literature review done was broadly discussed in a previous section. Completed questionnaires were received from 127 respondents from five rural places (n=127) with key findings of this research revealing the following results:

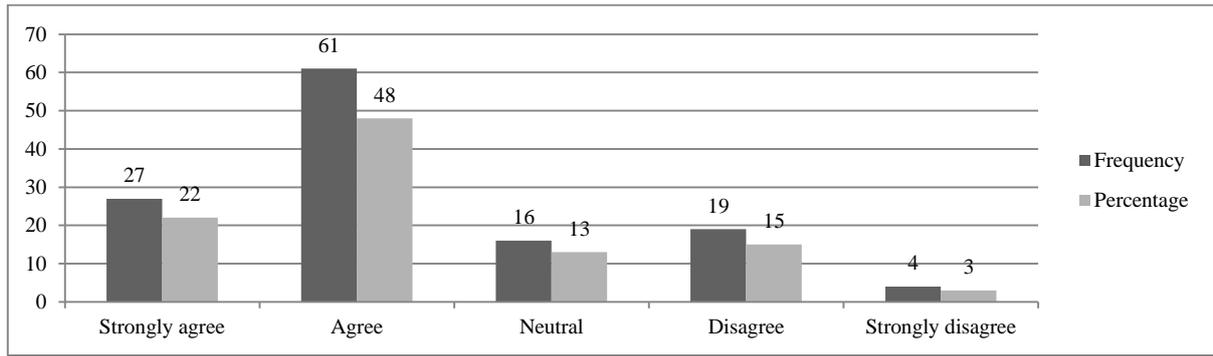
Figure 1. Many businesses sell products similar to my products



From the above the results it can be seen that 35 (28 percent) and 51 (40 percent) of the respondents strongly agreed and agreed, respectively, with the statement that there are many businesses selling similar products, with 23 (18 percent) being neutral. A small number of the respondents 12 (nine percent) and six (five percent) disagreed and strongly agreed respectively, with the statement

A correlation analysis of the results was performed to determine whether the selling of similar products has an impact on the business survival and growth. The question was based on the null hypothesis of uniformity of expected responses to questions. The results ($X^2 = .615$; $df=1.654$; $P = .000$) indicated that the observed findings were significantly different from expected frequencies. In other words, this result was statistically significant and was not due to chance.

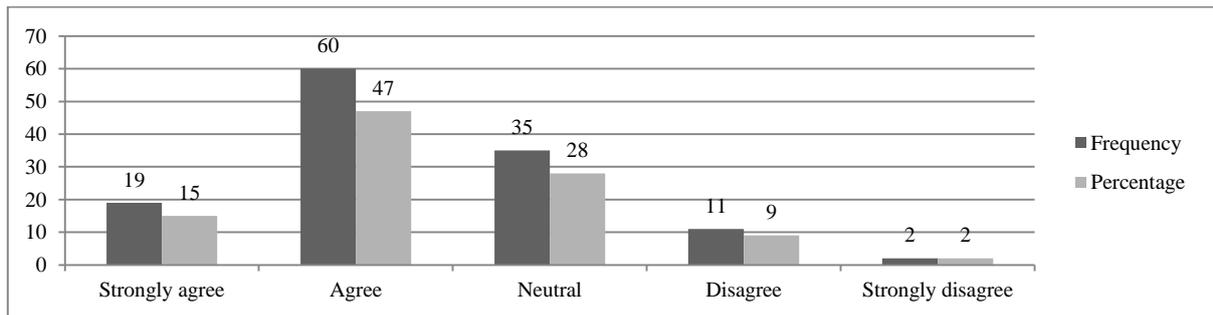
Figure 2. Availability of a business plan as a guide



Therefore, it was important to look at this at the rural set-up as well. Regarding the statement that they do have business plans that assist in guiding them how to keep their business operations going, 27 (21 percent) and 61 (48 percent) strongly agreed and agreed, respectively, only 16 (13 percent) remained neutral, while a small number of respondents, 19 (15 percent) and four (three percent) disagreed and strongly disagreed, respectively, with the statement.

A correlation analysis of the results was performed to determine whether the availability of a business plan assists rural SME owners/managers to do day-to-day business operations, in order to sustain or meet growth. The question was based on the null hypothesis of uniformity of expected responses to questions. The results ($X^2 = .506$; $df = .894232$; $P = .000$) indicated that the observed findings were significantly different from expected frequencies. In other words, this result was statistically significant and was not due to chance.

Figure 3. Business capacity to cope with environmental uncertainties

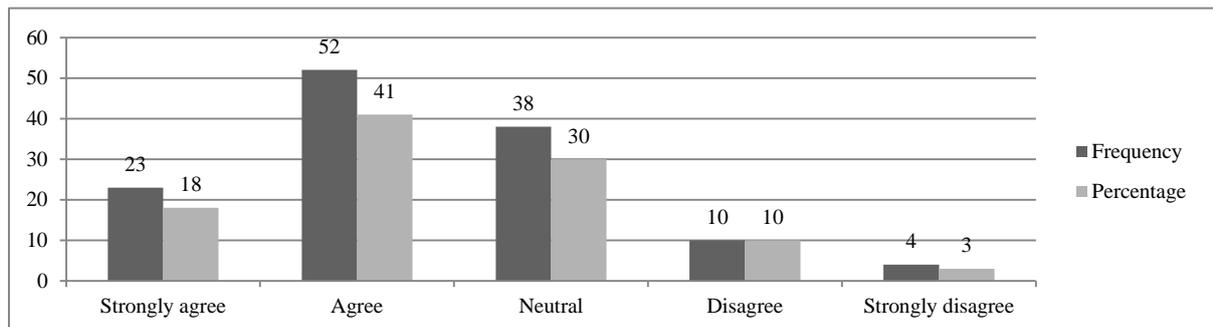


The majority of the respondents, 19 (15 percent) and 60 (47 percent) strongly agreed and agreed, respectively, that their businesses have the capacity to cope with environmental uncertainties. Less than half of the respondents, 35 (28 percent), remained neutral, while very few respondents, 13 (11 percent) disagreed and strongly disagreed, respectively, with the statement.

owners'/managers' business capacity to cope with environmental uncertainties has an influence on rural SMEs' survival and growth. The question was based on the null hypothesis of uniformity of expected responses to questions. The results ($X^2 = .553$; $df = 97430$; $P = .000$) indicated that the observed findings were significantly different from expected frequencies. In other words, this result was statistically significant and was not due to chance.

A correlation analysis of the results was performed to determine whether the SME

Figure 4. Primary goal of the businesses



Most respondents, 23 (18 percent) and 52 (41 percent) strongly agreed and agreed, respectively, that the primary goal of their businesses is to increase market share through product improvement strategies. However, 38 (30 percent) were neutral and 10 (eight percent) and three (four percent) disagreed and strongly disagreed, respectively.

A correlation analysis of the results was performed to determine whether the primary goal of the business is to increase product share through product improvement strategies and has an influence on the survival and growth of the business. The question was based on the null hypothesis of uniformity of expected responses to questions. The results ($X^2 = .632$; $df=1.18229$; $P = .000$) indicated that the observed findings were significantly different from expected frequencies. In other words, this result was statistically significant and was not due to chance.

Limitations: This study used a closed-end, structured questionnaire, which limited respondents in saying more about their attitudes, with regard to the constraints that affect survival and growth of their businesses. These include limiting respondents to explain other business networks they use, other motivating factors to start their businesses and other factors influencing their entrepreneurial orientations.

Research implications: Rural SMEs' owners/managers need to be encouraged to implement new, suggested growth theories. This study suggests that a theoretical framework for rural SME growth should adopt the intention of growth theories and growth models suggested by previous authors, such as Mappigau and Maupa (2013); Davidsson, Achtenhagen and Naldi (2010); Achtenhagen, Naldi and Melin (2010); Wiklund, Patzel and Shepherd (2009); Dutta and Thornhill (2008), Delmar and Wiklund (2008).

5. CONCLUSION

It was found that many rural SMEs sell similar products. However, they do indicate that they use business plans to guide them on day-to-day business operations. In addition, they do have the intention to grow their market share through product improvement. Where entrepreneurial characteristics of rural SMEs in KZN are concerned, it is concluded that there is a positive attitude among the respondents that they do set goals, and also have the drive and willingness to spend money, in order to achieve the survival and growth of their businesses. It is further concluded that the respondents believe they have the capacity to respond positively in uncertain situations. However, the respondents also believe that the growth of their businesses requires them to be result oriented, in order to succeed. As regards the external environment, for example institutional environments, which have an effect on the survival and growth of rural SMEs in KZN, it is concluded that environmental regulation requirements remain a challenge for rural SMEs' business growth, while strict government policies make their expansion difficult, and public procurement regulations and requirements to obtain a licence affect their business growth. As far as the financial and

infrastructural environment is concerned, it is concluded that most banks ignore SMEs for bank loans, with high bank charges for those who would have succeeded to secure/obtain a bank loan, high collateral requirements, and the time factor before a loan from the bank is approved also becoming a contributing factor. In addition, there were a considerable number of respondents who indicated that the preparation of a business plan is too costly and also affects the growth and development of their businesses. With reference to the socio-cultural environment, it is concluded that a lack of trust among the society, with regard to quality of goods and services, has an impact on business growth, as does a lack of support from business associations, with a lack of support from business consultants, and communities as major factors affecting business growth.

6. RECOMMENDATIONS

There should be entrepreneurial skills development and training for rural SMEs operators. This implies that some entrepreneurial theories and practices need accurate insight. For example entrepreneurial orientation factors, entrepreneurial networking strategies, entrepreneurial innovation strategies as well as entrepreneurial marketing promotional strategies with specific reference to the rural areas, remote and under-developed rural places. Policy-makers at all levels of government (e.g. national, provincial and local) review the rural development policy framework, in order to include a rural SME monitoring policy that will allow government to do monitoring and follow-up through local and regional municipalities in all provinces, with specific reference to KZN. This study also recommends private sector and government should improve rural economic conditions and start balancing economic development in rural districts and local municipalities, in order that business investors will be attracted to establish and do business in rural places. This will, in turn, encourage young, educated people to stay and start businesses in their birth places.

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