Factors Favoring Rural Entrepreneurship: Innovation in Action

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Abstract

The research analyzed the relationship between three variables: i) the factors that favor rural entrepreneurship based on the recognition of the opportunities and strengths present, ii) the barriers and challenges faced by rural entrepreneurs in the municipalities of Girardot, Ricaurte and Flandes in Colombia, and iii) aspects such as access to financial resources, existing government policies, infrastructure, technology and innovation, cultural characteristics, education, training, access to markets and business sustainability. The methodology used was participatory-action research, where the rural community is the main axis of project development. The approach is qualitative and inductive in nature, using a non-probabilistic purposive sampling of 60 individuals distributed in the three municipalities. The information was collected through pedagogical strategies such as the application of workshops and characterization sheets with the community. Among the main conclusions of the study, it is revealed that the relevant factors for the development of rural entrepreneurship are easy and timely access to financing, business training and a strengthened infrastructure that includes technology and innovation. It is also recognized that entrepreneurs face important challenges in the marketing of their products and in managing competitiveness in order to be recognized in the market.

Keywords: Rural Entrepreneurship, Sustainability, Conurbation, Innovation, Sustainable Development.

INTRODUCTION

The present research project is based on the approach of rural entrepreneurship established in the conurbation of Girardot, Ricaurte and Flanders where the processes of organization and development that entrepreneurs build for their sustainability are traced, taking into account that due to the geographical and climatic conditions of these municipalities, the enterprises are not focused on agriculture, as shown by studies by EAN University (2021):

The rural area in Colombia has some particularities that require attention and that influence the current situation. The Colombian countryside is a scenario where the need for modernization and liberal reforms that the vast majority of states have achieved in the last century coincide, mainly in relation to the issue of the distribution of the main element, which is the land and the services associated with it. (p.27).

The objective of the study was to analyze these various factors that directly influence rural entrepreneurship in municipalities, with the purpose of establishing the necessary conditions in the promotion of an adequate environment for the growth of business initiatives in rural contexts. By taking a better look at these factors, it will be potentially feasible to design effective policies, programs and strategies that bring about sustainable development in rural areas through entrepreneurship.

The conurbation of Girardot, Ricaurte and Flanders, is known for its excellent geographical location, bordering the Magdalena River, its warm climate, which helps tourist activation and urban growth and development, however these municipalities have several villages where a few years ago they were recognized in the agricultural sector due to the number of cultivated hectares, its fertile and prosperous lands from which different agricultural products such as cotton, sorghum, soybeans, sesame, corn, among others, germinated. But today it has focused its activities on tourism, commerce and scavenging, in addition to using fertile lands for urbanization with the construction of condominiums that, although to a certain degree can bring profits, are only for a few and are not consolidated into economic activities that truly become poles of development for the region because they are reduced to irregular income according to the seasons.

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Somehow, these particularities become a common characteristic and a challenge for people who want to undertake in that area, which means that before talking about innovation or modernization that enhances entrepreneurship, the motivational factors of rural entrepreneurs are identified, which have already been the subject of several studies in Colombia. Among them, the study called "The individual and their motivations in the entrepreneurial process" by Marulanda et al. (2019), which concludes "factors such as the fulfillment of a dream, personal growth, new challenges and the need for independence, were the most important in making the decision, while economic and environmental aspects were less significant" (p.84).

Marulanda & Morales (2016) mention aspects such as the analysis of motivations in a group of entrepreneurs from Medellín (Antioquia-Colombia), as well as the perception of facilitators and obstacles to entrepreneurship in an environment in which various mechanisms have been implemented to promote it. The results showed "that independence was the main motivation and that the city is considered to offer a favorable environment for this activity. At the same time, the biggest perceived obstacle is the difficulty in accessing bank credit."

Entrepreneurship in rural environments has the potential to promote not only local and regional development, but also to promote the transformation of common economic activities into strong processes, allowing the generation of employment, social progress, and a better quality of life for rural communities. Even when its importance is observed, there are no clear elements that allow us to understand the key factors for the success and sustainability of ventures in these areas. For Martínez et.al (2021), a relevant contribution from public policies focused on the rural sector that contribute to the diversification of activities would achieve important advances for the recovery of these economies.

Among the great challenges or barriers faced by rural entrepreneurs is the limited access to financial resources where they exist, as Ramírez & Guevara (2021) infer that:

"There is strong evidence that supports the fact that strong rural microfinance "is not per se a solution to poverty, but it is consolidated as an instrument from which productive initiatives in the Colombian countryside are made viable and sustainable, thus serving as a complementary tool to policies for rural development." (p.48)

Another major challenge is the lack of management of strategic planning, which, as mentioned by Laiton & López (2018), is "a tool that allows organizations to prepare to face situations that arise in the future, thus helping to orient their efforts towards realistic performance goals" (p.112)

It is urgently required that the rural population begins to generate environments that allow them to subsist, and that is when business ideas are born focused on their work and knowledge of the territory, which should be accompanied by technical tools allowing impact and true economic and social development for these communities, highlighting the great potential that is evidenced in their initiatives. Just as their needs focused on some social, administrative, financial, competitive aspects and in relation to the technology of the means of production make them unequal.

Entrepreneurship becomes a way out not only in economic aspects, but also leaves transformation to the communities, making explicit the productive and entrepreneurial capacity that can exist in rural areas if there is an articulation with innovation, creativity and the use of administrative or managerial techniques to generate projects that strengthen rural productive activities. Hence the importance of being able to find strategies that boost rural entrepreneurship in the conurbation of Girardot, Ricaurte and Flanders.

In addition to these conditions, it is important to mention that the social, economic, technological and productive context of the village populations, who, even though they may have practical, formal and technical knowledge of the sector, manage to be demystified and uncompetitive by taking advantage of current developments and innovations and being subject to inequitable scenarios that generate communities with low levels of productivity, sustainability, growth and development. Added to this situation are aspects related to the low or non-existent training in subjects such as marketing, administration and management, technical, legal and financial aspects that prevent them from projecting themselves from the productive and business side.

As Pérez (2021) mentions, the lack of training processes in innovation and creativity in communities means that those who undertake entrepreneurship processes develop "the incubation of new rural companies..."
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according to dominant traditions or practices, without considering the technical factors that are typical of any business projection of new goods, products or services" (P. 70), Understanding that people need training because this, in a direct way, contributes to the generation of entrepreneurship that can be consolidated over time in creative and innovative organizations that contribute to the sustainability, growth and progress of their communities.

For Jurado (2022) "rural entrepreneurship should be a multidimensional phenomenon focused on entrepreneurship, context, group dynamics and social capital" (p.42). When the bases and motivations of rural entrepreneurship are studied from the local, regional, national and international levels, the most relevant elements emerge that allow the entrepreneur to emerge and become entrepreneurs in the medium and long term, this is how Reynolds (2022) explores the state of rural entrepreneurship, its challenges and opportunities, defining that "motivated entrepreneurs start businesses, they create jobs and launch products and services that serve their communities and create dynamic and innovative economies, leading to an economic change and the perception of the entrepreneur as the axis of growth in rural economies" (p.54).

The accelerated changes in the local context and the development of new concepts in relation to rural entrepreneurship mean that it cannot be seen only as an activity from the agricultural function, but rather the territory and its productive vocations, giving space to new ways of knowing and transforming rural entrepreneurship (Arias et al. 2022). There are several studies that permanently review the state of the entrepreneurial exosystem in Colombia, making efforts to present proposals that guide the improvement of these businesses, analyzing the conditions of entrepreneurship in the regions and generating important strategies.

For Bedoya et al., (2022), the analysis of the various variables of change, progress and impact in general that rural entrepreneurship has brought to Colombia contribute to the construction of peace and are the foundation for economic and social development (p.25). Likewise, Castillo et al, (2020), see rural entrepreneurship as "an agent of progress and change in conditions of inequality" (p.32). Likewise, Villalba & Ortega (2018) mention that entrepreneurial behavior can be encouraged if we act with deference in the promotion of internal potentialities and the use of the opportunities of the environment.

Creating entrepreneurship sometimes becomes the goal of a society that aims to be sustainable, with economic and business proposals that take advantage of the inputs of the environment, but also that can be recognized not only from the locality, but also from the region, the nation and abroad. To do this, it must necessarily make use of innovation and creativity, with bets on products (goods and services) according to current needs and its own in the solution of existing problems. Londoño & Álvarez (2021) show how "entrepreneurship and social innovation" are a safe strategy that allows development and inclusion, providing elements for business disruption in all fields.

Espinosa, Lluglla & Padilla (2021) relate the importance of creating "strategies that, when developed together, allow an important synergy to support entrepreneurship", actions that with the complement of innovation will reach those territories, especially rural ones, for prospecting productive, economic and organizational processes adjusted to the reality not only locally but globally.

Finally, the analysis carried out by Camargo et al. (2020) is mentioned, where when analyzing the strengths and opportunities of sustainable entrepreneurship in the country, it is concluded that factors such as government support, the construction of business networks, the improvement in institutional policies, the promotion of sustainable entrepreneurship and financing, are important for the growth and development of this type of business.

METHODOLOGY

Object of study: The purpose of this research is to analyze the factors that influence rural entrepreneurship in the conurbated municipalities of Girardot, Ricarte and Flandes, with the purpose of establishing the necessary conditions in the promotion of an adequate environment for the growth of business initiatives in rural contexts,
based on the recognition of the conditions of the environment from the opportunities and threats in which they are immersed currently

The research process was developed through the fulfillment of three stages, where the first dealt with the preliminary aspects, making the preparation for the documentation and development of the problem, formalizing the initial definition of the context. The second stage made it possible to carry out the diagnosis of the population through the application of the instrument, managing to characterize the population. Stage three consisted of the analysis of results using the SWOT tool in the diagnosis and evaluation of the external and internal factors of the rural enterprises present in the municipalities of Girardot, Flandes and Ricaurte.

Type of research: The research is characterized by using a participatory action research methodology, where the rural community of the municipalities of the Girardot, Ricaurte and Flanders conurbation are the main axis of development of the project. On the other hand, it addresses a problem whose approach can be analyzed from qualitative variables and with an inductive nature, supporting the development of the work in theories that facilitate the process with the entrepreneurial community.

In the collection of primary sources, the application of the characterization sheet was used as a pedagogical strategy, allowing the identification of strengths, weaknesses, threats and opportunities that favor entrepreneurship. Secondary sources were provided by consulting official databases and multilateral organizations such as the Ministry of Commerce, MINTIC, MINCIENCIAS, DANE, ECLAC, among others, which made it possible to ensure the frame of reference and the approach to the problem.

The population was determined by the entrepreneurs located in the villages of the municipalities of Girardot, Flandes and Ricaurte. The sample was selected through intentional non-probabilistic sampling in a total of 60 enterprises in the rural areas of the municipalities of Girardot, Ricaurte and Flanders.

DISCUSSION OF RESULTS

The understanding of the factors that influence entrepreneurial activity in rural areas belonging to the municipalities of the Girardot, Ricaurte and Flanders conurbation, highlights aspects such as access to financial resources, government support through sustainable policies and strategies, the infrastructure and technology that can be made for the development of their activities, market characteristics, collaborative networks, or education and training.

Identification of Key Factors: Relationships and Correlations

Access to financial resources and business growth: Rural entrepreneurs in the conurbation mention that access to capital and financing is essential to start and maintain their enterprise, understanding how difficult it is to access these formal sources from financial institutions that perceive a high risk due to the few or no guarantees that entrepreneurs represent to them. Therefore, in most cases, they resort to informality, requesting loans from family, friends and, in the worst cases, lenders, the latter, requiring high interest rates that do not allow them to successfully develop their administrative management.

Rural entrepreneurs need access to loans, investors, and grants to acquire equipment, develop products, and manage operations. It can be said that there is a positive correlation between access to financial resources and the growth of rural enterprises, based on the conception that those businesses with access to adequate financing can invest in expansion, acquisition of equipment, marketing, raw materials, best production and marketing practices, resulting in a faster and more sustainable growth of their businesses.

Government Support and Policies and Diversification of Enterprises: For rural entrepreneurs, the incipient government support policies have prevented a sustained growth of their businesses, understanding that their participation can play an important role in the promotion of their ventures by including: tax incentives, training and skills development programs, simplification of administrative procedures and creation of clusters in areas Rural. This support from state institutions would allow the reduction of barriers by encouraging investment in rural enterprises, promoting the diversification of enterprises, by creating training programs, subsidies or specific tax incentives for certain types of rural businesses that, in many cases for these
municipalities, are dedicated to the marketing of products (mainly stores) and the sale of fast food. Entrepreneurs may be encouraged to explore new areas of business that are shaped by government policies.

**Infrastructure and Technology vs. Market Reach:** The analysis carried out in the villages of the three municipalities of the conurbation, shows how the availability of basic infrastructure, such as roads, electricity, telecommunications and internet access, is precarious, making it difficult in many cases to adequately develop their productive activities. It is critical to understand that adequate infrastructure enables connectivity to wider markets, efficient distribution of products and services, and access to online information and resources. When roads and highways are in good condition and efficient communication systems are in place, the distribution of products is facilitated, increasing the chances of having a greater geographical reach and expanding the customer base.

From the challenges they face in the technological management of their venture, they mention the lack of access to adequate technology, the costs represented by new technologies and the difficulties of implementing them, in most cases due to ignorance or lack of training in their use.

**Cultural Characteristics, Formation of Social Networks and Collaboration:** For entrepreneurs in the rural areas of Girardot, Ricaurte and Flandes, the existence of a strong sense of community and mutual support stands out, valuing entrepreneurship in the community. Local social networks in rural settings are vitally important, essential because the community, playing a vital role, is involved in promoting and supporting entrepreneurs. In this way, these local connections provide access to training, customers and suppliers, and these collaborative networks in the medium term can generate economies of scale and joint opportunities, providing resources, knowledge and business opportunities.

**Education, training and innovation:** Understanding that education and training are factors that can determine the success of rural entrepreneurship, local people need to acquire those business, technical and managerial skills that allow them to develop and run their ventures more efficiently. When asked what is the greatest opportunity that would allow them to strengthen their business, they mention precisely the issue of free and specialized training, as this would allow them to improve product quality, operational efficiency and decision-making.

Education is positively correlated with innovation for startups, especially those located in rural areas, especially because entrepreneurs with higher levels of education will be more likely to generate innovative ideas, adopt new technologies, and continuously improve their products and services to meet changing market demands.

It is important for entrepreneurs to have access to information, research and development of new ideas, allowing their businesses to get out of smallness, reducing their weaknesses and enhancing their opportunities for business innovation. Universities, research centres and local institutions play an important role in this regard, providing access to new knowledge and technologies, fostering creativity and continuous progress.

**Access to markets and environmental sustainability:** To achieve the viability of any business, it is vital to have broad access to markets and customers. In rural environments, the biggest challenge can be to reach wider markets, a situation that is made difficult by distances and limited distribution. The rural entrepreneurs of the conurbation mention that the greatest difficulties presented in the supply chain occur from the supplier process, identifying the greatest problem in the supply and delivery of products, becoming onerous in opportunities due to distances and access routes; The most effective opportunity will be to identify niche markets, develop effective marketing strategies, and use appropriate sales channels.

In many rural contexts, environmental sustainability is a major concern. Those ventures that can manifest environmentally friendly business practices will achieve important advances in obtaining support and credibility from the local community, government entities and the productive sector in general, attracting consumers who will also be environmentally conscious. By linking market access and having an impact on environmental sustainability, it will give entrepreneurs customary tools to propose and adopt more sustainable practices that meet consumer demands while maintaining their competitiveness.
Main Challenges and Obstacles of Rural Entrepreneurship

The analysis given from the particularities for rural entrepreneurship in the municipalities of Girardot, Ricaurte and Flandes is aimed at aspects such as lack of access to financing, deficient infrastructure, shortage of qualified labor, difficulties in distribution, in obtaining suppliers, lack of business support or limited access to technology. Acknowledging each of these would allow policymakers and support organizations to devise strategies to overcome these obstacles.

**Limited access to financing:** Rural enterprises face serious problems in accessing sources of financing, due among other aspects to the incipient presence of financial institutions, limiting loan options and the capital needed to start or expand their businesses.

**Lack of infrastructure and shortage of skilled labor:** The commercial operations of rural enterprises are deficient when basic infrastructure such as public services, roads or road links are in poor condition, causing access to markets and the sustainability of the business to be affected. Another aspect to mention is that in many of these rural areas the qualified workforce is limited, and there are conflicts to find and retain employees, or for the entrepreneur himself to behave as an efficient administrator of his business; All of this results in employees with few or poor technical skills needed to operate and grow their businesses.

**Difficulties in distribution, access to markets and geographical isolation:** In rural areas there are significant challenges related to distribution, mainly due to the distances from market centers or stockpiles and the lack of adequate logistics infrastructure. The remote location of these villages to the municipal seat hinders access to suppliers, customers, technological tools, training, among others, which sometimes leads to geographical isolation and prevents taking advantage of opportunities such as networking, collaboration and access to external resources and knowledge. This lack of access to more developed markets limits potential clientele and the ability to sell products or services outside the local community.

**Scarcity of business support and resistance to cultural change:** A lack of business support services including business and legal advice, management training, and incubation programs predominates, hindering the development and growth of rural enterprises. In addition to this, in some rural areas there is resistance to change that allows the adoption of new commercial, technological or innovation practices, as they have a culture and scale of traditional values rooted in the face of new processes and modernity, leading their ventures to partial or total stagnation.

**Technologies and their applicability in rural enterprises:** There is a widespread lack of access to up-to-date technologies and innovative processes that can be applied to enterprises, placing them at a disadvantage in terms of operational efficiency and ability to compete in an increasingly digitized market. It can be seen how the lack of high-speed internet connectivity can hinder access to information, communication with customers and suppliers, and participation in online platforms.

**Financial risks and bureaucratic barriers:** The rural environment is a determining factor from the financial aspects in the achievement of resources to provide an effective financial muscle that allows them to get out of the day-to-day and be able to invest in new business models that lead them to success. They also face additional risks due to product price volatility, dependence on a specific market, and seasonal income variability. Government regulations play a major role when they become complex and include dense bureaucratic processes that can make it difficult to establish and operate rural enterprises.

**Lack of Business Training:** The achievement of opportunities in business training is a relevant element for rural entrepreneurs to train and develop management, marketing and strategy skills necessary in business management with efficient and successful purposes.

**Best Practices Applicable to Rural Enterprises**

Through the analysis of the intrinsic and extrinsic conditions of rural enterprises in the Girardot, Ricaurte and Flanders Conurbation, the best practices that can contribute to the success of this type of business are identified:
**Diversification of Products and Services:** Most rural entrepreneurs in Girardot, Ricaurte and Flanders obtain their resources and sell a single product. They are not dependent on a single product or service, but can diversify their offering to cater to different market segments, allowing them to reduce joint risk with dependence on a single product, thus generating multiple revenue streams.

**Collaboration and Local Alliances:** In the context of rural areas, the importance of forming alliances with other entrepreneurs and local businesses stands out, these synergies increase the visibility and credibility of their businesses by presenting better co-marketing opportunities, resource sharing and access to new audiences. Participation in local events, fairs, networking groups, and community organizations can help entrepreneurs build better, stronger relationships in their community. These types of connections allow you to take business opportunities, support and valuable feedback.

**Effectiveness of technology and innovation:** The availability of a company to innovate and adapt to agile changes in the market is essential for the success of a venture, especially when it is located in rural areas. This is how they must be willing to adopt new technologies, improve their products and services, and find creative ways to solve problems. Taking advantage of technological resources, even in rural areas, achieves a substantial improvement in operational efficiency and communication, which can occur from the areas of marketing, financial management and process automation, contributing to the saving of time and resources.

**Market research in entrepreneurship:** Using market research helps the rural entrepreneur to understand the dynamics of the market, glimpsing what the real and current needs of their customers are, identifying emerging trends and adjusting their offer accordingly. Elements such as building and promoting a strong brand can differentiate rural entrepreneurs from the competition, becoming identifiable in the market. A strong brand communicates the values, quality, and uniqueness of the business. Bold customer service proposals and being open to feedback can equally build long-term relationships with customers and help improve the quality of products and services.

**Accompaniment and Continuous Training:** Training and continuous learning are presented as fundamental tools in the improvement of business skills. Entrepreneurs can participate in courses, workshops, and training programs that allow them to strengthen all areas of the business and help them maintain a permanent update. The provision of information related to success stories and learning from other entrepreneurs who have been efficient with their business model provides valuable knowledge and advice, turning peer-to-peer learning into a tool that accelerates business growth.

**Financial Management and Strategic Planning:** The financial structure of rural enterprises is sensitive to daily changes, keeping it strong will depend on careful management that includes essential components such as keeping accurate records of income and expenses, planning the budget and establishing reserves to deal with unforeseen situations. In addition to the financial issue, there is the development of a strategic plan that can be looked at in the long term, providing the business with a clear direction and goals that maintain the focus of the proposed objectives and make decisions consistent with the vision of the venture.

**CONCLUSIONS**

From the analysis of the different factors that favor rural entrepreneurship, it can be concluded:

The importance in the generation of solid policies proposed from the institutional framework and that delimit programs to support entrepreneurship in rural areas, from the implementation of tax incentives, investment, creation of training centers, among others, allowing the improvement of local business skills. These policies include access to financing, where easy-to-use credit programs are established, with favorable interest rates or specific subsidies for rural entrepreneurs. Likewise, seed capital funds or angel investor networks can be established to boost this type of business.

A strong infrastructure and better connectivity allow rural entrepreneurs to overcome geographical and technological barriers, facilitating effective communication and marketing of their products, positioning them in the market not only locally, but regionally, nationally and internationally.
Training programs in business management, research and development specific to rural enterprises, increase the chances of success, allowing them to know and adopt solutions adapted to the needs of their business.

Being able to establish co-working spaces in rural areas can provide the necessary infrastructure and manage the necessary resources that foster creativity and the exchange of ideas and solutions to their common problems and challenges, creating a positive stimulus to the local economy and competition in the market.

Rural entrepreneurship can generate a positive economic impact from the generation of local jobs, contributing to reducing unemployment and improving the economic conditions of the community, as well as proposing a business structure capable of stimulating local demand for goods and services, diversifying the economic base of the region by reducing dependence on a single industry, thus contributing to the strengthening of the local economy in general.

From the social aspects, it can be said that rural entrepreneurship promotes community participation, promoting social cohesion and strengthening the sense of identity and unity by developing and supporting joint projects given by local micro-entrepreneurs.

Finally, it is mentioned that knowledge of the most relevant factors that positively or negatively affect rural enterprises can become an effective tool in the creation of strategic projects typical of this type of business, helping them to strengthen themselves and adopting better and sustained practices for the development of their enterprises.

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