



## The Role of Rural Entrepreneurship in Alleviating Poverty in the Eastern Cape

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**ABSTRACT** The objective of this study was to investigate the role of rural entrepreneurship in alleviating poverty in the Eastern Cape Province. The study employed both quantitative and qualitative research approaches for data collection. Self-administered questionnaires were used to collect information from 42 entrepreneurs (owners of small business), 31 entrepreneur employees, while face-to-face interviews were conducted with 20 customers. A purposive random sampling technique was used to select the entrepreneurs. The respondents were selected through purposive sampling technique. Descriptive statistics and thematic analysis were used to analyze quantitative data and qualitative data respectively. The finding of this study revealed that rural entrepreneurship immensely contributes to poverty reduction in the Eastern Cape Province. Rural entrepreneurship contributes to poverty reduction through employment creation, skill development, social responsibility and availability and accessibility of goods and services. Therefore, the government and other relevant stakeholders should create a conducive environment in rural areas so that people can engage in entrepreneurship activities in turn poverty reduction.

### INTRODUCTION

The major challenge of development in developing countries is poverty. A large number of people in developing countries continue to live in extreme poverty. The International Fund for Agriculture Development (IFAD 2011) report indicated that approximately 1.4 billion people in developing countries were living below poverty. Majority were Sub-Saharan African countries. Meanwhile, poverty in South Africa remains a major challenge of development. It has not yet significantly reduced despite the numbers of interventions taken since the demise of apartheid. Many South Africans, particularly black South Africans, female-headed households, least educated people and the children continue to live in poverty. A report released by the Statistics South Africa (SSA 2017) revealed that there were approximately 34 million people in South Africa living in poverty in 2015 and majority of these were rural dwellers living in the provinces of Eastern Cape and Limpopo. Rural areas have the highest poverty concentration in South Africa compare to their counterparts of urban areas. Approximately seventy percent (70%) of the poor in South Africa live in rural areas.

The high poverty in South Africa is associated with slow economic growth and unemployment. Unemployment is the biggest contributor of poverty in South Africa. A large number of people in the country, especially the youth remain jobless. The labour force survey released by the Statistics South Africa in 2007 indicated that unemployment rate in the country was at 27.7 percent in the first quarter of 2017 (SSA 2017). The youth account for more than half (52%) of the total unemployment figure. The South Africa economy cannot create sufficient jobs to absorb the growing number of labour. The South Africa economy largely made from mining, services, industry and their contribution to the country economy has reduced since apartheid (Jonas 2013; Westaway 2012). The recent world economic crisis has adversely affected the South African economy. The country has lost millions of jobs, particular manufacturing and mining sectors. This perpetuated high unemployment in South Africa.

The prevalence of poverty in the Eastern Cape Province is high. The Province is characterized by high rate of poverty, unemployment, inequality, HIV/AIDS, poor social services and

infrastructure. This is because the Eastern Cape is largely made from the former homelands of Ciskei and Transkei where the development has been neglected for many years. As a result, there are still too many people in the province relying on dams, rivers, streams and springs for drinking water. Furthermore, they also used candles and paraffin lamps as source of energy. Poverty reduction has been the first priority for the South African government since the demise of apartheid. A number of programs and initiatives were introduced for poverty reduction. Interventions, such as Reconstruction and Development Programme (RDP), Growth, Employment and Redistribution Strategy (GEAR), Integrated Sustainable Rural Development Program (ISRDP), Expanded Public Programs (EPP) and Land Reform (LR) were introduced in order to reduce poverty in the country.

However, these initiatives do not lift up the majority of the people from poverty and hunger, poverty persists high in the country. Therefore, to prevent poverty in the country, there is need for entrepreneurial activities to be put in place. Numerous scholars and policy makers argue that entrepreneurship has the potential to address the socio-economic problems such as poverty, unemployment, income inequality and economic growth (Petrin 1994; Singer 2006; Khan et al. 2012). The socio-economic challenges of rural areas such as poverty, job creation, inequality and economic growth can be addressed through entrepreneurship activity. Because entrepreneurship generates income, creates employment opportunities, investment, market and innovation (new products and services). Furthermore, entrepreneurship allows poor communities to enhance their income, skills, accumulate assets as well as enter into mainstream society.

Entrepreneurship provides goods and services at affordable costs to rural communities and it improves the rural economy by bringing growth and innovation to the community. Rural entrepreneurship improves rural economic development through creation of new businesses; new businesses create jobs, provide people with a variety of products and services, intensify competition and increase productivity through technological change. In addition, rural entrepreneurship diversifies economic activities, avoids reliance on mono-production as well as

improving the quality of living (Bryden and Hart 2005). Entrepreneurship helps poor people to meet their basic needs, especially marginalized groups like female heads of households, disabled people and rural families through employment creation and access to goods and services. Entrepreneurship is a major sphere for employment-creation and fostering sustainable livelihoods in rural areas. It is the only terrain in which rural poor able to create their livelihoods and support their families (Ndabeni 2005).

### Statement of the Problem

Poverty in Eastern Cape remains high despite a number of interventions have taken. According to the SSA (2017), approximately 67 percent of the population in the Eastern Cape were living below poverty line in 2015, majority were rural dwellers. These people live without access to basic needs, such as health care, education, clean water and sanitation, food and electricity (Hamann and Tuinder 2012; Westaway 2012). The poverty is consistently high among black South African's, least educated people, children and female head households. Poverty is connected to crime, HIV/AIDS, malnutrition, high dependency on social grant, migration, disease, violence and social chaos in the province. Entrepreneurship has been pointed out as the most important intervention strategy for poverty alleviation (Petrin 1994; Ndabeni 2005). Because of entrepreneurship creates employment opportunities, innovation, investment and trade activity. The main purpose of this study, therefore, was to investigate the extent to which entrepreneurship helps to poverty reduction in Eastern Cape Province.

### Objective of the Study

- ◆ To investigate the role of rural entrepreneurship in alleviating poverty in the Eastern Cape Province.

### Research Question

- ◆ What is the role of rural entrepreneurship in alleviating poverty in the Eastern Cape Province?

## Literature Review

### *The Concept of Rurality*

Throughout the world, rural areas, compared to urban areas are economically disadvantaged and they are characterised by high unemployment, poverty, income inequality, poor economic activity, infrastructure and social services. The definition of rural has been in dispute for many years. Individuals, organizations and scholars have given different definition of rural. For instance, Frasier (2009) describe rural as areas, which is sparsely settled away from the influence of large cities and towns where people live in villages, on farms, insolated places and are mainly characterized by primary economic activities. Similarly, Atchoarena and Gasperini (2003) define rural areas as areas where human settlement and infrastructure occupy only a small share of the landscape, where the environment is dominated by pastures, forests, mountains, deserts as well as low population density with most people engaged in farm activities. For the purpose of this paper, rural is defines as an area, which is highly exploited and marginalized as well as where the oppressed live, whether they are in towns such as Soweto or in villages such as the Valley of a Thousand Hills (Porteus and Nabudere 2006).

### *Entrepreneurship*

Anderson (2002) claims that the term *entrepreneurship* originated from the French word 'entreprendre' and the German verb 'unternehmen', both of which mean 'to undertake'. The term "entrepreneur" seems to have been introduced into economic theory by Cantillon (1755), but Say (1803) first accorded the term *entrepreneur* prominence. The concept of entrepreneurship is a complex and controversial concept. Entrepreneurship has been conceptualized in different perspectives since its inception. To some, entrepreneurship means primarily innovation; to others, it means risk-taking; to others, it means a market-stabilizing force; and to others, it means starting, owning and managing a small business (Tyson et al. 1994). Coulter (2001) also defines entrepreneurship as the process whereby an individual or a group of individuals

use organized efforts and means to pursue opportunities to create value and growth by fulfilling wants and needs through innovation and uniqueness, no matter what resources are currently controlled.

Therefore, the concept of rural entrepreneurship arises because of the linkages between the concept of entrepreneurship and rurality. Rural entrepreneurship implies entrepreneurship emerging in rural areas. For the purpose of this study, entrepreneurship defines as an activity that involves discovery, evaluation and exploration of opportunities to introduce new product, service or market.

### *Poverty*

There are a number of debates concerning the definition of poverty. Unfortunately, no consensus has been reached. Poverty is a multi-dimensional phenomenon that has different meanings for different people. As stated by Meier (1989) poverty is a multi-dimensional concept, and there is no general accepted definition of what constitutes poverty. Its definition is varies among development practitioners, researchers, governments, multi-national corporations and non-governmental organizations due to the nature, magnitude and causes of poverty which differ across regions and nations of the world.

According to the United Nation Development Programme (UNDP 2006), to some people, poverty is lack of income; to others it means lack of basic needs and to others means lack of human development. Similarly, Sen (1999) views poverty as the failure to achieve basic capabilities such as being adequately nourished, living a healthy life, possession of skills to participate in economic and social life and permission to take part in community activities. Todaro and Smith (2003) describe poverty as having insufficient income to secure necessities of life such as food, clean water, education, health, clothing and shelter. The ILO (2006) also defines poverty as lack of material derivation (food, water, health and education) and non-material derivation such as lack of rights, insecurity, powerlessness, indignity and lack of participation. Within the context of this study, poverty defines as lack of income to secure necessities of life such as education, health, electricity and pure water and sanitation.

### ***The Role of Rural Entrepreneurship in Poverty Reduction***

Entrepreneurship plays a crucial role in addressing the socio-economic problems of rural poverty, unemployment, inequality and low economic growth. Petrin (1994) argues that entrepreneurship more than ever before is linked to rural development. It is a vehicle to improve the quality of life for individuals, families and communities in order to sustain a healthy economy and environment. Various empirical evidences in both developed and developing countries demonstrated that entrepreneurship has a direct impact in poverty reduction. Van Praag and Versloot (2007) in their analysis of fifty-seven studies revealed that entrepreneurship had a positive impact on poverty reduction. Entrepreneurship contributed to poverty reduction through employment creation, innovation and market activity. Similarly, Ayyagari et al. (2007) in a study of seventy six countries around the globe found that on average, small businesses constitute sixty four percent (64%) of the economy in their sample of developed and developing countries.

Entrepreneurship is a key to economic growth and its success helps to reduce poverty and improve living standards as well as educational levels. Saxena (2012) attempted to examine the role of entrepreneurship in reducing rural poverty in India. The results revealed that entrepreneurship solved the problems of rural poverty, unemployment, lack of economic diversity, low economic growth and low levels of living standard. It also drives innovation, income redistribution, knowledge and technological advancement. Vyakarnam (1990) in his study concluded that entrepreneurship development in rural areas is an important factor for poverty reduction, job creation, wealth creation, market creation as well as local economy diversification. Vyakarnam further argues that one of the possible ways to improve living standards of the poor people in rural areas is by encouraging them to become entrepreneurs. In the same vein, a survey conducted by the World Bank (2006) with 600 000 small business owners in over 50 developing countries to examine the role of entrepreneurship in poverty reduction and from the survey, most of participants (entrepreneurs)

indicated that they had improved their living standard. The entrepreneurs indicated that they manage to meet their basic needs as well as visit doctor. Furthermore, the entrepreneurs also created jobs opportunities for the local communities as well as improved the availability of goods and services in the local areas.

Entrepreneurship plays an eminent role in creating employment for rural communities as well as enhances the economic status of the rural sector. It ensures the utilization of local resources, market competition and expansion of economic activity. Adenutsi (2009) concluded that entrepreneurship plays a critical role in the growth and development of local industries through the processing of local raw material into finished and semi-finished goods for the domestic and foreign markets. It also improves rural economic productivity through the utilization of improved and cost-effective technology. A study conducted by Global Entrepreneurship Monitor (GEM) indicates that entrepreneurship plays a vital role in economic development because entrepreneurs create new businesses; new businesses create jobs, provide people with a variety of products and services, intensify competition and increase productivity through technological change (Turton and Herrington 2012). Entrepreneurship development is the most important factor for boosting employment and income opportunities for the poor as well as for ensuring the provision of basic services and social protection. As observed by United Nation Industrial Development Organization (UNIDO 2006) the development of entrepreneurship is an important source of employment, especially for disadvantaged groups of people that encounter difficulties in securing employment in the formal labour market such as women, children, the elderly and handicapped.

Small businesses absorb the growing number of labour force. Hussain et al. (2014) found that small businesses consist of ninety one to ninety three percent (91-93%) of the total industrial establishments in countries such as Singapore, Taiwan, Thailand and South Korea and contribute sixty one percent (61%) to the employment sector. Meanwhile, in Australia, small businesses account for seventy three percent (73%) of the total private business of the country, and the sector contributes about forty-six



percent (46%) to the total GDP of the country. In addition, in 2004 and 2006, small businesses added an amount \$23.8 billion to the GDP figure of the Australian economy (Ergas and Orr 2007).

Studies indicated that as countries share large entrepreneurship activities have bigger declines in poverty rate. Sliviski (2012) carried out a survey in the United States of America revealed that a number of people had escaped poverty by starting small businesses and they were able to meet their basic needs such as food, health, education and shelter. Meanwhile, a survey taken by Rwelamira and Mthethwa (1999) among small businesses that engage in agriculture, manufacturing, construction and transport in rural areas in the former homeland of the North West Province of South Africa indicated that most of the entrepreneurs were able to meet their basic needs, such as health, pure water and sanitation, electricity education and shelter. Smith (2005) argues that China, India and Uganda are the most successful countries in the world today in reducing poverty due to the engagement of many people in entrepreneurship activities. Entrepreneurship activity does not only create jobs but also reduces the prices of goods in community, including goods consumed by poor people. Entrepreneurs are the main source of taxes from which governments can use to empower the poor through investments in health, education and other public goods as well as through direct income transfers (Smith 2005).

Entrepreneurship plays a crucial role in promoting skills among the poor people. Small businesses transfer various skills to their employees like sewing, shoes repairs, welding and driving. A study conducted by Sinxoto (2007) who revealed that small businesses provide skills to their employees like computer literacy, customer care, and product management knowledge and project management. Furthermore, the United Nations Industrial Development Organization (UNIDO 2006) report indicates that small businesses provide trainings, skills and experience for young people. Many workers in Africa in the urban informal sector have been trained through traditional apprenticeships (UNIDO 2006).

### *Innovation Theory*

An Austrian economist Joseph Alois Schumpeter developed the concept of innovation theo-

ry to refer that the role of entrepreneurship in innovation creation (Juma 2014). This theory argues that innovation is the main vehicles for development. Development is a socio-economic transformation which driven by innovation (new products, services, methods of production process, opening a new market, acquiring of new sources of supply of raw material or semi-finished goods). These innovations arise from entrepreneurship activities, which are crucial for poverty reduction and development.

According to this theory, the fundamental impulse capitalism is creative destruction, which refers to the process of destroying the old to create the new which originates from new consumer, goods, the new method of production or transportation, the new markets, the new forms of industrial organization that capitalist enterprise creates (Sledzik 2013; Juma 2014). According to Schumpeter innovation is a process of industrial mutation, that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one. Schumpeter gives an example of the textile industry that produces with the hand labour, where the entrepreneur invent something new and uses the power looms for production in the textile industry.

### **RESEARCH METHODOLOGY**

The study used a mixed methods research to investigate the role of rural entrepreneurship in alleviating poverty in the Eastern Cape Province. The population of the study consists of all the SME owners in the Eastern Cape. Self-administered questionnaires were used to collect information from 42 entrepreneurs (owners of small business), 31 entrepreneur employees, while face-to-face interviews were conducted with 20 customers. A purposive random sampling technique was used to select the entrepreneurs. The data were collected using both open-ended and closed-ended questions. The open-ended questions enabled the respondents to respond in their own words while the close-ended questions provided the respondents with different options. Sensitive questions were avoided because it may be difficult for respondents to attempt and to avoid false information. Therefore, the questionnaire contained information

like age, sex, as well as the educational status, which forms a part of the demographic information. The data collected were analysed using descriptive statistics.

## FINDINGS AND DISCUSSION

### Gender of Respondents

The finding of the study shows that 71.4 percent of the entrepreneurs were male while 28.6 percent of the entrepreneurs were females. Meanwhile, 71 percent of the employees were male and 29 percent of the rest were female while 70 percent of the customers were male and 30 percent were female. This indicates that there is high gender imbalance in entrepreneurship activities in Eastern Cape Province. Men are more involved in entrepreneurship activities than women are. This is in line with Herrington et al. (2009) who revealed that men are more engaged in entrepreneurship activities than women in South Africa are. Perhaps this is patriarchal stereotype and expectation that women should be domestic workers. According to International Women's Forum South Africa (IWFSa 2011) there is still expectation that the role of women should be restricted to child care, caring for the sick and fetching water and fuel rather than being economically productive and employed in the broader economy. This further exacerbates poverty in South Africa. Many factors prevent women from perceiving as well as engaging on entrepreneurial activities. Factors, such as high level of domestic responsibility, lower level of education, poor communication and inadequate access to capital are among the major barriers, which prevent women to engage on entrepreneurship activities.

### Marital Status of Respondents

The findings of the study indicate that the majority (59.5%) of entrepreneurs were married while 40.5 percent of the entrepreneurs were single. Moreover, 50 percent of the employees were married while 30 percent of them were single, and 55 percent of the customers were single and 45 percent of the rest were married. This indicates that most of the people who are involved in entrepreneurship activities were married. This

might be due to the high rate of unemployment in the country.

### Age of Respondents

The findings of the study indicate that 52.4 percent of the entrepreneurs are aged between 26-33 years; 19 percent ranged between 34-41 years; 9.5 percent were between 18-25 years; 9.5 percent were between 42-49 years and 9.5 percent were above 50 years. 42 percent of the employees were between the ages of 26-33 years; 39 percent of were between 18-25 years, and 19 percent of the rest were 34-41 years. The highest (45%) proportion of the customers were between the ages 34-41 years; 20 percent of were between 18-25 years, and 5 percent of the rest were above 50 years. These findings show that most of the entrepreneurs who are involved in entrepreneurial activities in Eastern Cape are youths. This is echoed by Sarpong (2012) who found that most of the youth between the ages of 20-35 years were involved in entrepreneurship activities. Furthermore, Herrington et al. (2009) in their studies found that there is more involvement in the entrepreneurship activity between the ages of 25-34 years in South Africa. The reason of more youth engaging in entrepreneurship activities in Eastern Cape might be the high rate of unemployment among the youth. Due to lack of employment in the formal sector, many youths are forced to establish small businesses in order to sustain their livelihood.

### Education Level of Respondents

The findings of the study show that 40 percent of the entrepreneurs had elementary education; 19 percent had certificate and diploma; 12 percent had degree qualification and 10 percent of respondents had high school certificates. This shows the low level of education among the entrepreneurs who engage in entrepreneurship activities in Eastern Cape Province. This concurs with Sarpong (2012) who observed that most of small business owners do not have good academic qualifications. The low level of education might be the greatest limiting factors for entrepreneurship growth in South Africa because there is positive correlation between level of education and business success. Businesses

are more sustainable and profitable when educated people (Herrington et al. 2009) own them. The findings further revealed that, majority (80%) of the employees had high school certificates, and 10 percent of the rest had elementary education and certificates respectively.

### Period of Business Operation

The analysis of finding indicates that majority (40.5%) of the entrepreneurs had been running business in the area between 4-6 years; 31 percent of entrepreneurs had been running business in the area between 1-3 years; 19 percent of entrepreneurs had been running business in the area for more than 13 years and the rest 9.5 percent of entrepreneurs had been running business in the area between 7-9 years. This shows the entrepreneurs had good experience in the business. This linked to Sinxoto (2007) who observed that the majority of entrepreneurs had been running their businesses for approximately 5 years.

### Forms of Business

The finding of the study indicates that 52 percent of the entrepreneurs were in the partnership form of business while 48 percent of were sole-proprietors. This indicates that most of the businesses in Eastern Cape are dominated by partnership form of business and lack of capital is the major contributing factor for entrepreneurs to establish their business in partnership form. Personal savings or borrowing funds from friends or family are the main source of capital for the starting of these small businesses. Small businesses in rural areas do not meet the criteria required by the financial institutions to borrow funds. Financial institutions require security and formal business records to borrow funds for small businesses.

In some other studies, researchers also found that small businesses dominated by sole-proprietors and close cooperatives. Sinxoto (2007) and Sarpong (2012) in their study found that small businesses dominated by sole-proprietor.

The finding of the study as shown in Table 1 indicates that majority (57.1%) of the entrepreneurs used personal savings as source of capital to start their businesses, while 21.4 percent of entrepreneurs used loans from family and

**Table 1: Source of capital**

		<i>Frequ- ency</i>	<i>Per- cent</i>	<i>Valid percent</i>	<i>Cumu- lative per- cent</i>
Valid	Family	9	21.4	21.4	21.4
	Friends	9	21.4	21.4	42.9
	Personal saving	24	57.1	57.1	100.0
	Total	42	100.0	100.0	

*Source:* Survey data 2016

friends as source of capital to start their businesses. This indicates that most of the entrepreneurs in Eastern Cape use personal savings as a source of capital to start their businesses. This is in line with previous findings, which noted that personal saving is the main source of finance for rural entrepreneurs during the starting as well as expansion of business (Sinxoto 2007; Fal 2012). Most of entrepreneurs in rural areas do not have assets as security to borrow money from financial institutions or other commercial business and they rely on personal saving or borrow funds from friends or families during the starting and operation of the business. Therefore, lack of capital remains the biggest limiting factors for entrepreneurship growth in rural areas.

### The Role and Contributions of Rural Entrepreneurship in Alleviating Poverty, Employment Creation and Income Generation

#### *Employees in the Business*

The findings of the study show that 40.5 percent of entrepreneurs had two workers; 26.2 percent of entrepreneurs had four workers; 21.4 percent of entrepreneurs had three workers and 11.9 percent of entrepreneurs had one worker. This indicates the importance of small businesses in job creation in the Eastern Cape Province. Small businesses are important employment providers, especially for people who cannot find jobs in the formal sectors such as women, youth, elder and handicap. In many countries around the world, small businesses are the main source of jobs. In a similar study, Luiz and Mariotti (2011) found that small businesses in Asia employed 80 percent of labour force. Meanwhile, Killawi

(2013) in his studies revealed that small businesses account the majority of businesses in the United States America; they employ half of the United States private sector. Two out of three new jobs are generated from small businesses and there are around sixty millions Americans employed by the small businesses.

**Table 2: Monthly salary paid to employees in rand by the entrepreneurs**

<i>Amount of salary paid</i>	<i>Frequency</i>	<i>Percentage of employees</i>
500-1000	5	11.9
1001-1500	16	38.1
1501-2000	4	9.5
2001-2500	8	19
2501-3000	4	9.5
3001-3500	1	2.4
3501-Above	4	9.5
Total	42	100

The findings of the study as reflected in Table 2 show that 38.1 percent of employees were paid salaries between 1001 and 1500 rand per month; 19 percent of the respondents were paid salaries of between 2001 and 2500 rand per month and 2.4 percent of the respondents were paid salaries of between 3001 and 3500 rand per month. This shows that the highest proportions of the respondents (employees) were paid salaries of between 1001-1500 rand per month. This concurs with the findings of Sinxoto (2007) who noted that most small businesses in South Africa paid salaries of between 1000 and 4000 rand per month to their employees.

### ***Skills Transfers***

Small businesses contribute to rural poverty reduction in the Eastern Cape Province through transfer of skills to their employees. Majority (57%) of the entrepreneurs provide entrepreneurial skills to their employees. Entrepreneurial skills such as sewing clothes, shoes repairs, fashion designing, and cooking various foodstuffs transferred to the employees. In addition, the entrepreneurs provide training like product knowledge training, hospitality training as well as how to plate hair to their employees. This is in line with Sinxoto (2007) who observed that small businesses provide skills to

their employees like computer literacy, customer care, product knowledge and project management. Furthermore, the United Nations Industrial Development Organization (UNIDO 2006) report indicates that small businesses provide trainings, skills and experience for young people. Many workers in Africa in the urban informal sector have been trained through traditional apprenticeships (UNIDO 2006). Some entrepreneurs also reported that they provide skills to their employees like customer care, entrepreneurship skills, experience and packing stock. This would help employees to establish their own business in the future. Skills are thus transferred to the employees through training, teaching and imitation.

### ***Entrepreneurship and Social Responsibility***

Apart the employment creation, entrepreneurs contribute to poverty reduction in Eastern Cape Province through the engagement of social responsibility. Majority (69%) of the entrepreneurs were involved in social responsibility. The entrepreneurs indicated that they provided donations such as food and clothes to poor people, sponsored public events (public meetings and soccer game) and offer free scholarship to poor children. In addition, the entrepreneurs also help poor communities during funerals as well as student graduations. This in line with Sinxoto (2007) who noted that small businesses are involved in social responsibility such as supporting schools, children homeless, electrifying community centres and providing food to homeless people. The entrepreneurs reported that they help their employees to pay bills such as water bills, rent bills, electricity bills and medical bills. Furthermore, the entrepreneurs indicated that they assist orphans and old people by donating some money every month to NGOs concerned. For instance, some entrepreneurs reported that they pay 1000 to 1200 rand to support orphans and old people every month.

### ***Availability and Accessibility of Goods and Services***

The findings of this study revealed that small businesses increased the availability and accessibility of goods and services in rural areas. Peo-



ple in rural areas do not travel far places to buy goods and services, their needs catered for from at nearest point possible. During the interview, the customers said, “*We used to spend a lot of money traveling to big cities to buy goods and services but now we can get these without traveling far places*”. This is in line with previous findings, which revealed that small businesses play a crucial role in reaching of the bottom of the pyramid customers (UNDP 2006). Small businesses also produced goods and services that are affordable for poor people. Some of the customers said that they could not afford to buy all goods and services from large businesses because they were too expensive and therefore small businesses enabled us to access goods and services. Most of the customers indicated that the prices of goods and services from small businesses are reasonable.

Furthermore, small businesses contributed to poverty reduction through offering goods and services to the poor people on credit. Some of the entrepreneurs indicated that they sell goods and services on credit to poor people without adding any interest rate. One of the customers interviewed mentioned said, “*we do not go to bed hungry now because small businesses provide us with goods on credit when we do not have money to buy goods on cash*”.

### CONCLUSION

The findings of the study revealed that rural entrepreneurship plays a crucial role in alleviating poverty level in the Eastern Cape Province. Rural entrepreneurship contributes to poverty reduction through employment creation and income generation, skill development, availability and accessibility of goods and services as well as social responsibility.

### RECOMMENDATIONS

The study recommended that government at all levels should improve on the level of awareness of the advantage of entrepreneurship to poverty alleviation. Entrepreneurship education in South Africa should be given at all education level such as elementary, high school and university so that the awareness of the people, particularly the youth on role of entrepreneurship

in poverty reduction can enhance. More so, the government should create a conducive environment such as business infrastructure, entrepreneurship skills and tax incentives for rural entrepreneurs in order to increase their contribution to poverty reduction in Eastern Cape. Finally, the involvement of all stakeholders is crucial in promoting entrepreneurship in Eastern Cape. Stakeholders such as government departments, community leaders, religious people, business people and non-governmental organizations should work hand to hand for creation of conducive environment for rural areas like Eastern Cape Province.

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