

***EFFECT OF RURALITY ON THE
ENTREPRENEURIAL OPPORTUNITY IDENTIFICATION PROCESS AND
ENTREPRENEURIAL ACTIVITY AMONG WOMEN***

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This research provides a deeper understanding of the limitations that rural environment imposes to the entrepreneurial business opportunities recognition and to the entrepreneurial activity of women in Slovenia, which is also the main goal of this research. The adult population surveys within the Global Entrepreneurship Monitor (GEM) research are used in the research. Research results indicate that rurality modifies the intensity of entrepreneurial opportunities recognition as well as the entrepreneurial activity among women.

Key words: rurality, women, opportunity identification, entrepreneurship.

***ВЛИЯНИЕ СЕЛЬСКОГО УКЛАДА НА ПРОЦЕСС ИДЕНТИФИКАЦИИ
ПРЕДПРИНИМАТЕЛЬСКИХ ВОЗМОЖНОСТЕЙ И
ПРЕДПРИНИМАТЕЛЬСКУЮ АКТИВНОСТЬ ЖЕНЩИН***

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Словения***

Это исследование дает более глубокое понимание ограничений, которые накладывает сельская среда на признание предпринимательских бизнес возможностей и предпринимательской деятельности женщин в Словении, которая также является целью данного исследования. Опросы взрослого населения в рамках глобального мониторинга предпринимательства (ГМП) используются в исследовании. Результаты исследования свидетельствуют о том, что сельский уклад видоизменяет интенсивность признания предпринимательской деятельности, а также предпринимательской активности среди женщин.

Ключевые слова: сельский уклад, женщины, выявление возможностей предпринимательство.

1. INTRODUCTION

In this paper the focus is on the entrepreneurial activity of women in rural areas. While entrepreneurship is seen as a mean of revitalizing rural areas and since women present an unused potential for entrepreneurial activities, we believe that this group is especially interesting for research because of the constraints it is facing regarding the entrepreneurial activity. Better understanding of processes of opportunity identification and entrepreneurial activity could support the creation and improvement of existing public policies for fostering rural entrepreneurship and entrepreneurship of women.

In 2011, 41% of the population of the European Union (27 member states) lived in urban regions, 35% in intermediate regions and 23% in rural regions, with the regions being classified as rural, intermediate or urban based on an analysis of population density and total population. The largest shares of the population living in rural areas were registered in Ireland (73%), Slovakia (50%), Estonia (48%) and Hungary (47%). In Slovenia, as well almost half of the population (43%) is living in rural areas, less than one third (31%) in intermediate and 26% in urban areas. Slovenia is one of the smallest European countries, having 2,050 thousand inhabitants, with GDP per capita of 17,620 € in 2011 (Statistical Yearbook of Slovenia 2012). Average population density in Slovenia is 101.1 inhabitants per 1km².

In EU the urban–rural typology as described above is based on a classification of grid cells of 1 km² as either urban or rural (Eurostat 2012). To be considered as urban, grid cells should fulfill two conditions: a population density of at least 300 inhabitants per km² and a minimum population of 5,000 inhabitants.

2. DIFFERENCES IN ENTREPRENEURSHIP IN RURAL AND URBAN AREAS AND CHARACTERISTICS OF WOMEN ENTREPRENEURSHIP

Entrepreneurship is a key tool for stimulating diversified and endogenous growth in rural development policy (OECD 2004). Rural entrepreneurship contributes not only to the economic growth but also to social and cultural preservation and development of the rural areas. Business creation retains the local population in rural areas (Bryden and Hart, 2005) and the precondition of rural economic development is the retention of the younger generation. In the European countries that have rural enterprise policies, the emphasis is towards strengthening the viability and competitiveness of existing SMEs rather than focusing on the entrepreneurial capacity of peripheral rural areas by for example fostering a positive attitude towards entrepreneurship amongst young people and women (North and Smallbone, 2006).

Entrepreneurs in rural areas face a unique set of challenges that are not generally encountered in an urban context. These challenges derive mainly from the varying degrees of accessibility of rural areas, the small size and low population densities of rural communities, their social and economic composition, and the nature of internal and external linkages (European Commission, Agriculture and Rural

Development, European Network for Rural Development, 2011). Specific social composition includes lack of an entrepreneurial tradition combined with the lack of models for successful business ventures and with the rural labour force, which tend to suffer from low skill levels and diversity, and from a structural mismatch in the local labour market, caused by emigration of the young and the well-educated (Kulawczuk, 1998). Large distances and low population density cause problems with infrastructure (lack of suitable business premises, less developed transport and communications infrastructure), shortages in essential services (limited access to public services, finance, information and advice) and limited opportunities for networking and collaboration (less diversification of the rural economies compared to the urban ones, absence of private investors) (Kulawczuk, 1998).

Entrepreneurial activity is embedded in the institutional and cultural context of a country or region and therefore, the reasons behind the degree of involvement in entrepreneurial activities might vary across regions according to the context (Driga et al., 2009). The Slovene countryside, as is also the case in many EU countries, is not homogeneous, but encompasses diversified demographic, economic and social structures. In typical Slovenian rural areas, the aging structure of rural population indicates that there is still satisfactory reproduction (Istenič and Kveder, 2008). However, 40% of Slovene territory consists of rural areas characterized by depopulation (Perpar, 2007). Slovenian rural areas have problems to maintain schools, kinder gardens, ambulances and other necessary services (Perpar, 2007).

The share of rural population in Slovenia involved in non-farm activities is 65%. It is interesting that Slovenia has the highest percentage of women in the agricultural population in the new EU-25. However, the potential of the women to contribute to agricultural development is in many respects less favourable than it is in other European countries because great majority of women in Slovenia who own and manage their farms are old, probably already widowed, with poor general and agricultural education, and own small farm estates with mixed, low productive output (Istenič, 2006).

The literature provides evidence of significantly and systematically lower participation of women in entrepreneurial activity compared to men (Rebernik et al., 2016). Since entrepreneurial activity fuels the economic growth, women have been recognised as an untapped source that should use its potential (OECD, 2004). Rural areas pose certain restrictions to entrepreneurial activity and we are especially interested in the impact of those restrictions on potential business activities of women.

Driga et al. (2009) mentioned that an important social function of entrepreneurship in rural areas could be to provide women with local career alternatives, but empirical evidence shows that this does not seem to be the case. Women in rural areas do not have many opportunities for quality employment so they are often forced to work in low-paid and low-status jobs (European Commission 2011). Much of the rural demography in Europe is today characterised by an often critical absence of women which has serious social and demographic repercussions such as aging problem faced by many rural populations (Driga et al., 2009; Regidor 2000; Chiappe and Flora, 1998).

On the other side, in some European countries rural women are showing the potential of playing an important role in the development and sustainability of rural areas. Regarding the new and non-agricultural farm activities, research has shown that often the wife is the one who creates new on-farm business (Clemenz et al. 1995; Högbäck and Siiskonen 1996; Ilbery et al. 1997; Bock 1998; Førde 1999).

Despite the mentioned good examples of entrepreneurial activities among rural women, being a woman decreases the chances of becoming a nascent entrepreneur and being a woman residing in a rural area has a double negative effect on nascent entrepreneurship (Driga et al., 2009). The realization of entrepreneurial activity begins with the identification of an entrepreneurial opportunity. Already Kirzner (1979) defines entrepreneurs as individuals who are more likely than others to be alert to identification and to exploitation of profit opportunities. That is why we consider important to investigate both opportunity identification prevalence and entrepreneurial activity prevalence among rural and urban women.

According to Busenitz et al. (2000) in an area particular knowledge sets become institutionalized and certain information becomes a part of a shared social knowledge. This could mean that higher levels of entrepreneurial activity in an urban location develop knowledge about start-ups and operating a new business that becomes a part of shared social knowledge in an urban area. Rural areas might lack this understanding of business creation and operation. In areas where the knowledge required to start a new business is highly developed and widely distributed, people might be more receptive to entrepreneurial opportunities (Driga et al., 2009). That is why we pose the following hypotheses:

H1: Women in urban areas are more likely to recognize entrepreneurial opportunities than those in rural areas.

H2: Women in urban areas are more likely to participate in entrepreneurial activity than those in rural areas.

3. METHODOLOGY

The main data sources for our study were GEM¹ surveys of the adult population in Slovenia in years 2010, 2011 and 2012. Since it is established that the entrepreneurial activity does not shift significantly from one year to another (Acs et al., 2005), the consolidated sample of female respondents was formed. This procedure makes estimates more robust, since in a single year – due to limited sample sizes and especially due to low entrepreneurial activity rates – the number of females involved in entrepreneurship is limited. The consolidated sample consists of N=3,413 female respondents, 1,604 were living in urban and 1,809 in rural areas of Slovenia, and 187 of them were included into the entrepreneurship. The use of consolidated sample is based on the assumption of the stability of phenomena researched in several consecutive years (Kelley et al., 2011).

¹ GEM was designed as a comprehensive assessment of the role of entrepreneurship in national economic growth (Reynolds et al. 2005). The conceptual model includes a wide range of factors associated with national variations in entrepreneurial activity and major contextual features. Since 1999, GEM reports have been a key source of comparable data across countries on attitudes toward entrepreneurship, start-up and established business activities, and entrepreneurs' aspirations for their businesses.

The variables used in testing the hypotheses H1 and H2 were “opportunity identification” (respondents were asked if they believed that, in the 6 months following the survey, good business opportunities would exist in the area where they lived; the variable is dichotomous nominal with YES (1) and NO (0) answers) and “entrepreneurial activity” (respondents were asked several questions regarding their entrepreneurial activity and were classified as nascent, new and/or established entrepreneurs²; the variable is 0-1 nominal with value 1 if an individual is classified as entrepreneur or 0, if not).

We formally tested hypotheses H1 and H2 using logistic regression, that estimates the probability of an event happening, which in our case were: (i) the recognition of opportunities or not, by women; (ii) participation in the entrepreneurial activity or not, by women. Maximum likelihood estimations were used to estimate the coefficients of logistic regression function, which denote changes in the log odds of the independent variable. The goodness of fit of the model was assessed by the Model χ^2 -test, the rate of correct classifications and the Nagelkerke R^2 . In order to test the significance of the regression coefficient we used the Wald test. The 0.10 (two-tailed) significance level was used. The SPSS 19.0 was used for the analysis.

4. RESULTS

Opportunity identification activity that represents the most distinctive and fundamental entrepreneurial behavior (Eckhardt and Shane, 2003), is not evenly distributed - women in rural areas in Slovenia are much less likely to recognize entrepreneurial opportunities than in urban areas. On average 15.5% of female population (that is not entrepreneurially active) in rural area and 21.7% of female population in urban areas are expecting business opportunities in the near future. Logistic regression results (at $p=0.000$) suggest that women, living in urban areas are on average 1.5 times more likely to recognize an opportunity than women, living in rural environment³. Therefore, we found the support for H1 - women in urban areas are more likely to recognize entrepreneurial opportunities than those in rural areas.

In Slovenia the average share of female entrepreneurs among female population (age: 18-64 years) is 5.93% in urban areas, as compared to 4.58% of those from rural areas. Again, research results (at $p=0.07$) suggest, that woman, living in the urban area is on average 1.3 times more likely to be involved into the entrepreneurial activity as compared with one, living in the rural area⁴. The hypothesis stating that women in urban areas are participating in entrepreneurial activity more often than those in rural areas (H2) is confirmed.

² Nascent entrepreneurs are those who have taken steps to start a new business (to own and manage it at the same time), but have not yet paid salaries or wages for more than three months. New entrepreneurs are running new business as (co)owners and managers that have been in operation for between three and 42 months (i.e. 3.5 years), after 42 months the entrepreneurs are established entrepreneurs (Daniels et al., 2016: 21).

³ Logistic regression results: model Chi-square = 17.009 ($p=0.000$), Nagelkerke R square = 0,01, % correct classif. = 81.7%; Dummy 0-1 independent variable, indicating rural (0) and urban (1) area: B = 0.410, Wald = 16.966 ($p=0.000$), Exp(B) = 1.507.

⁴ Logistic regression results: - model: Chi-square = 3.122 ($p=0.07$), Nagelkerke R square = 0,003, % correct classif. = 95.8%; Dummy 0-1 independent variable, indicating rural (0) and urban (1) area: B = 0.272, Wald = 3.133 ($p=0.07$), Exp(B) = 1.313.

5. CONCLUSIONS

This research indicates the importance of territorial distinctions between rural and urban locations for the level of entrepreneurial activity of women. In Slovenia, women in rural areas are less likely to identify business opportunities and to engage in entrepreneurial activity as compared to women in urban areas. There are several possible reasons for such trends, that may be analyzed in the future research. For example, women in rural areas on average possess less human and financial capital that is both important for opportunity identification and entrepreneurial activity. Also, the rurality may impose some restrictions on women's realization of entrepreneurial activity. Possible explanation for this could be that rural women often simultaneously engage in domestic, farm and wage earning activities and are taking care of their children and the elderly people who are part of the extended family (Petridou and Glaveli, 2008), which all together makes rural women a source of all-purpose labour force.

The limitation of this research is the lack of data concerning the prevailing gender system and the levels of gender equality in Slovenian urban and rural locations. Those literature gaps could be overcome in future qualitative research. This research does not explore the gender differences in urban and rural population, so the focus is maintained on women. However, further research could benefit from the investigation of moderating effect of rurality on opportunity identification and entrepreneurial activity of male population. Further studies could also take a longitudinal approach, as well as include comparisons with other European rural areas.

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