Opportunities and Challenges of Rural Entrepreneurship in Afghanistan

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Abstract:

Purpose: Rural entrepreneurship, as a fundamental and parallel approach to rural development goals, can significantly contribute to the advancement and progress of rural areas. It aims to reduce unemployment, enhance the productivity of individuals and resources, increase income, improve the economic situation, and empower rural communities. Therefore, it is considered a suitable and effective strategy for accelerating rural development. This paper explores the challenges and opportunities of rural entrepreneurship in Afghanistan.

Keywords: Entrepreneurship, Rural Entrepreneurship, Rural Development, Challenges, Opportunities.

Methodology: In order to do this, a library-documentation research strategy was used, and a thorough literature study of pertinent topics and areas was carried out.

Findings: As a result of this research, challenges such as a lack of financial resources, inadequate infrastructure facilities, and sociocultural barriers, as well as opportunities like affordable land, abundant natural landscapes and resources, and local customs and traditions, were identified.

Implication: Finally, a framework for promoting rural entrepreneurship is proposed, and recommendations for addressing challenges and using opportunities better.

INTRODUCTION

Rural entrepreneurship is considered an innovative solution in development theories for empowering and enhancing the capacity of rural areas in developing countries like Afghanistan. This concept is also regarded as a tool for achieving sustainable development. Rural entrepreneurship is pivotal for economic development and improving business conditions in many countries (Jyoti et al., 2021; Sangolagi & Alagawadi, 2016).

Currently, many rural regions, especially in developing countries, face serious economic challenges, including reduced economic diversity, a lack of entrepreneurial perspective, economic recession, and a widening developmental gap between urban and rural areas. These challenges encompass a scarcity of human resources, unemployment, low income, low productivity, increased rural-to-urban migration, and environmental degradation, among others.

In developed countries, entrepreneurship highly influences economic development (Zahiri et al., 2021). Rural entrepreneurship is taken into account from economic (contributing to job creation and utilizing financial resources), socio-institutional (improving social justice and enhancing participation), and environmental (respecting local rights, resource management, maintaining a healthy ecosystem, and biodiversity conservation) perspectives in entrepreneurship policies in order to achieve sustainable development (Roknoddin Eftekhari et al., 2021).

Multiple studies have shown that one of the primary objectives of development in urban and rural areas is job creation and welfare enhancement. Entrepreneurship is recognized as a fundamental tool for achieving these goals (Rezvani et al., 2018).

Today, entrepreneurship and innovative business creation are essential for the sustainability and prosperity of countries’ economies (Dahlstrand, 2017; Saarenketo et al., 2019). Entrepreneurship is vital to increasing
economic productivity, labor market innovation, creating new jobs, and improving employment opportunities (Shane & Venkataraman, 2020).

Due to its positive impact, various countries, including Afghanistan, consider entrepreneurship an essential solution for addressing numerous challenges and advancing the nation, including improving economic performance, reducing unemployment rates, and fostering economic growth (Karimi et al., 2020; Karimi et al., 2014).

Like other regions, rural areas face multiple opportunities and challenges in entrepreneurship development, business initiation, and rural business management. Identifying and examining these opportunities and challenges aids in obtaining a better understanding of the current situation in these regions, leading to the formulation and implementation of more appropriate policies and strategies to tackle challenges and leverage opportunities in the field of rural entrepreneurship in Afghanistan.

The primary objective of this paper is to explore the opportunities and challenges of entrepreneurship in Afghanistan’s rural areas. To investigate these challenges and opportunities, we rely on library documentation research and the insights of various researchers in developed and developing countries. This study aims to develop suitable policies to address challenges and harness opportunities in Afghanistan’s rural entrepreneurship realm.

**Theoretical Framework.** Entrepreneurship has multiple definitions, and some of them are highlighted below. Entrepreneurship creates value by organizing unique resources to exploit opportunities (Ahmadpour Dariani, 2018). Entrepreneurship is an endeavor to create value through identifying business opportunities, risk management, and utilizing managerial and communicative skills to attract human, financial, and material resources for realization. According to Drucker (1958), entrepreneurs initiate a small and novel economic activity with their capital (Eftakhari & Sajassi, 2020).

Joseph Schumpeter considers entrepreneurship to be the engine driving economic development. In his view, entrepreneurship is an innovative skill that creates new combinations and can be the introduction of a new commodity or quality of a commodity, the opening of a new market, access to new resources, or the establishment of any new industry (Lordkipanidze & Brezet, 2015). Schumpeter’s theory of development posits that creative and innovative individuals who lead and direct the economy play a central and significant role in the economy. These individuals are primarily risk-takers and technological innovators and do not necessarily possess capital. Therefore, they can harness their creative power by accessing financial resources such as bank loans (Mousavi Jahromi, 2019).

Reagan considers rural entrepreneurship an enabler of employment, income growth, wealth generation, quality of life enhancement, and local community participation (Regan, 2002). In another definition, rural entrepreneurship is an activity that helps rural people identify economic opportunities in local communities and learn how to turn these opportunities into profitable economic activities (U.S. Department of Housing and Urban Development, HUD). Entrepreneurs are vital agents of change in society. If researchers can identify the roots of entrepreneurship, policymakers can develop innovative educational methods to enhance entrepreneurial skills (Behrooz et al., 2019). Rural entrepreneurship is “the innovative utilization of rural resources and facilities to hunt for business opportunities” (Peter Yin et al., 2002). Rural entrepreneurship fundamentally does not differ from the general concept of entrepreneurship. Wortman defines rural entrepreneurship as creating a new organization that introduces new products or services. Today, planners, especially rural economists, consider encouraging rural residents to engage in home-based trade through entrepreneurship as the most appropriate strategy to respond to rural challenges, particularly economic challenges. The philosophical nature of this theory is that home-based trade creates a form of self-employment at the local community level, enabling rural residents to produce and market their products (Eftakhari & Sajassi Ghidari, 2020).

Rural residents can access necessary goods and services by fostering entrepreneurship and establishing small entrepreneurial ventures. This development significantly impacts rural economic growth and reduces migration to cities. On the other hand, rural areas, like urban areas, are full of new and untapped opportunities. Discovering and timely exploiting these opportunities and creating new and competitive businesses based on them brings significant economic benefits to rural residents. Industrialized countries have discovered entrepreneurs’ role in economic development and sought to develop and promote such a cultural view among economic managers (Behrooz et al., 2019).

The existing body of research in the fields of entrepreneurship and rural empowerment can be summarized as follows:
In a study conducted by Akbari (2006) and Saploon (2019), using data from the European Social Studies Center, it was concluded that women engaged in traditional women's businesses have the highest level of social capital.

A study titled "Explaining Factors Influencing the Empowerment of Rural Areas in the Development of Entrepreneurship in Zanjani's Sangan and Saman Districts" demonstrated that individual factors play a role in enhancing the capacity of rural residents to establish and develop businesses (Motiee Langaroudi et al., 2021).

Another research study on the barriers to developing rural women's entrepreneurship in Garmasar County found that economic and educational barriers are the most significant obstacles to rural entrepreneurship development (Ali-Doosti et al., 2019).

Moreover, Mohammadi et al. (2020) categorized entrepreneurship into three categories: cultural, social, and economic barriers, identifying cultural barriers as the most significant obstacle to women's employment in Iran.

In a study by Robert G. Stenberg in 2014, the creation of successful entrepreneurship requires a combination of factors such as analysis, creative thinking, and practical awareness in both applied and practical aspects.

In a 2017 study by Nancy Meg Jay and her colleagues, the motivations and inherent differences between men and women in agricultural tourism entrepreneurship in Virginia, USA, were examined. The research showed that women have greater motivation to start agricultural tourism entrepreneurship.

Research indicates that rural entrepreneurship development requires identifying barriers and preparing solutions tailored to each community and rural environment.

METHODS

This article employs a literature review method to investigate the opportunities and challenges of rural entrepreneurship in Afghanistan. This research focuses on gathering and analyzing data from credible sources and validating information from multiple reputable research sources. This research method used scientific databases such as Google Scholar and Research Gate to find articles and studies related to the desired topic.

In the first stage, articles about rural entrepreneurship and Afghanistan's economic and social situation were searched for and identified. Subsequently, the theoretical foundations required for analyzing opportunities and challenges were studied based on the research background. In the next stage, findings and results from credible sources were extracted and analyzed.

In conclusion, the results obtained from this research were evaluated and presented in various sections of the article, including the introduction, research background, findings, conclusions, and recommendations. Credible sources and previous research were used to validate and reinforce the article's content.

RESULTS AND DISCUSSION

Challenges of Entrepreneurship in Rural Areas of Afghanistan. Security Instability: Security instability in some areas of Afghanistan significantly affects entrepreneurship and may instill fear among the population, restricting access to various markets. Lack of Economic Infrastructure: The absence of economic facilities such as banks and suitable financial institutions in rural areas limits financial transactions and entrepreneurial investments. Underutilization of Resources: In some areas, natural resources must be optimally utilized, negatively impacting agriculture and other economic opportunities. Youth Unemployment: Youth unemployment is a significant challenge in Afghanistan, highlighting this demographic's need for job opportunities and entrepreneurship. Limited Access to Education and Skills Training: Some rural residents need more education and skills training, which can pose difficulties in initiating and developing entrepreneurship. Human Resources: Accessing skilled labor in rural areas is one of the primary challenges for rural businesses. Low levels of education and technical knowledge, coupled with a lack of information technology, are significant obstacles to business operations in rural areas. A suitable family, community, or support system for rural entrepreneurship development (Dabson et al., 2013). Brain Drain: Young, educated individuals from rural areas migrate to cities, leading to a phenomenon known as "brain drain." It disrupts the alignment between existing jobs and the remaining skills in rural areas. Lack of Educated Workforce: The need for locally educated workers can significantly hinder entrepreneurship development in rural areas (Karimi, 2022). Decreasing Population and Small Local Markets: A declining rural population leads to a shortage of labor and reduced service levels. The low population density in rural areas can economically challenge entrepreneurs to
secure local markets. Limited purchasing power and price fluctuations in goods and market products also pose difficulties (Sharifzadeh et al., 2021).

Rural Isolation and Inadequate Infrastructure: The remoteness of rural areas from urban centers and scattered villages restricts human and informational resources. This limitation hampers access to large markets for buying and selling products and entrepreneurial support institutions in rural areas (Karimi, 2022). Moreover, this remoteness, along with proximity to cities, increases costs, reduces resource efficiency, and harms the transfer of information and new technologies (North & Smallbone, 2020).

Limited Access to Financial Resources: Rural entrepreneurs in countries like Afghanistan often need more financial backing to start and expand their businesses. They need loans and financial support from the government or financial institutions, usually scarce or nonexistent in rural areas. Moreover, the loan application process is complex and time-consuming due to requirements like collateral and credible guarantors. These loans often come with high-interest rates, making it difficult for rural entrepreneurs to access financial resources and raising doubts about entering this field (Sharifzadeh et al., 2021; Jamshidi et al., 2018).

Small Business Competition: Small businesses in rural areas face challenges competing with larger businesses and intermediaries due to limited financial support, reliance on intermediaries for marketing and resource procurement, and a need for appropriate transportation infrastructure. Additionally, laws and regulations are often cited as obstacles to rural entrepreneurship development. Furthermore, social-cultural barriers and negative societal attitudes towards women are problematic for rural entrepreneurs. Nevertheless, rural areas offer diverse entrepreneurial opportunities that have not received enough attention in entrepreneurship research (Sharifzadeh et al., 2021).

Entrepreneurship Opportunities in Rural Areas of Afghanistan. Agricultural and Farming Potential: Afghanistan possesses rich natural resources for agriculture and livestock. Fertile soil and suitable climate conditions enable diverse agricultural production, including grains, fruits, and vegetables. Production of Uncontaminated Goods: Many farmers in Afghanistan’s rural areas employ traditional and contamination-free farming practices, potentially opening up opportunities for foreign markets.

Handicrafts and Local Art: Rural areas of Afghanistan have a thriving handicraft industry, including carpet weaving, pottery, and traditional jewelry production, which can serve as significant income sources for rural communities. Tourism Development: Afghanistan boasts beautiful natural landscapes and historical and cultural sites, offering tourist attractions that can create new entrepreneurial opportunities in rural areas.

Infrastructure Advancements: Access to technology and remote communications infrastructure provides rural entrepreneurs with tools to overcome transportation challenges and geographical isolation. These technologies make information readily available, expand market borders, facilitate collaboration, and improve resource accessibility. Additionally, these technologies can contribute to rural and urban entrepreneurship development, encouraging competition.

Rich Natural Resources and Scenery: Rich natural resources can offer new economic opportunities and create advantages for industry and recreation. A pleasant and natural environment can lead to higher job satisfaction, healthier living, and more ethical working conditions. This environmental appeal may attract entrepreneurs to rural areas and encourage them to leverage cultural attributes and local events for marketing.

Affordable Land and Initial Building Costs: Rural areas offer cheaper land and initial construction costs, enabling businesses to generate higher profits and utilize their investments. Reduced competition, lower labor costs, and less stringent construction regulations make rural areas attractive to entrepreneurs.

Culture and Local Traditions: Local culture and traditions can help entrepreneurs differentiate their products and services, leveraging unique local features. Furthermore, these cultural elements can be vital in developing rural areas. Business networks in rural areas help entrepreneurs establish closer relationships with residents, access larger markets, and facilitate cooperative development.

Framework for Encouraging Rural Entrepreneurship. A framework has been developed to assess programs and organizations related to rural entrepreneurship. This framework, designed by Jai-Kyung Lee at the Kauffman Foundation (2020), focuses on three main questions regarding entrepreneurial characteristics in rural areas:

Entrepreneurial Inclination: This step begins by analyzing the culture of entrepreneurship. The culture and people’s propensity for entrepreneurship are directly connected to entrepreneurial expansion and economic growth. Some cultures are more supportive of entrepreneurial behavior, while others provide less support.
Examining these cultures and their impact on entrepreneurship is essential. Data indicates that individuals with a family background in entrepreneurship are likelier to engage in entrepreneurship. Therefore, understanding rural areas’ social and cultural status can be an appropriate starting point for creating a more entrepreneurial economy and society (Karimi, 2022).

Knowledge and Skills: This step examines whether current entrepreneurs possess sufficient knowledge and skills to perform their current and future business tasks (Karimi et al., 2014). Entrepreneurial Success: In this step, the success of rural entrepreneurs in their current business environment is evaluated. Suppose entrepreneurs face failures but must be confronted with educational and cultural barriers. In that case, supportive policies affecting the overall business environment in the region will be an appropriate strategy.

CONCLUSION

Currently, entrepreneurship is perceived as an effective strategy for countries’ economic and social development. Entrepreneurial development can be crucial in creating sustainable employment, social balance, poverty reduction, and addressing rural community issues. Since entrepreneurship can improve employment, income, and productivity in rural areas, it can prevent unstable rural migration and even lead to "reverse migration." However, entrepreneurial development faces significant obstacles and challenges, especially in rural areas. On the other hand, rural entrepreneurship provides unique opportunities for entrepreneurs. To address these challenges and harness the opportunities, all organizations, institutions, and the government must pay special attention to rural entrepreneurship development, considering it a national priority. The role and contribution of the government in this process are highly significant.

Entrepreneurship development in rural areas is recognized as one of the most effective solutions for rural development, but it requires specific skills and capabilities. Encouraging entrepreneurial thinking and promoting entrepreneurship among rural women based on their existing abilities is very important. With proper guidance and utilization of their potential, rural women can start individual and group businesses and become entrepreneurs.

In Afghanistan, rural entrepreneurship presents its opportunities and challenges. Opportunities include agricultural and farming potential, the production of uncontaminated goods, local handicrafts, and tourism development. On the other hand, challenges include unstable security, a lack of economic infrastructure, underutilization of resources, youth unemployment, and a lack of education and training. Nevertheless, with the creation of supportive programs and economic infrastructure development, entrepreneurship in rural Afghanistan can grow and contribute to economic development and job creation in these areas.

Considering the challenges and obstacles discussed in this article and other studies in this field, the following strategies are proposed for rural entrepreneurship development:

- Establishment of Rural Banks and Financial Institutions: Creating rural banks can make financial resources more accessible to rural entrepreneurs with lower interest rates and collateral.
- Education and Training: Fundamental to entrepreneurial development, the establishment and expansion of counseling and training centers for rural entrepreneurship and the provision of training courses for graduates, youth, and rural students can help improve the skills and competencies of rural entrepreneurs.
- Formation and Expansion of Rural Cooperatives and Local Organizations: Cooperatives can significantly elevate entrepreneurial activities and the rural economy. Cooperatives can provide the necessary inputs for rural businesses at reasonable prices and engage in packaging, marketing, intermediary removal, and selling rural products at fair prices.
- Promotion and Advocacy of Entrepreneurship Culture: Promoting entrepreneurship culture in society can effectively overcome cultural and social barriers. Public media plays an essential role in this regard.
- Development and Approval of Rural Business Support Laws: The formulation and approval of laws that support rural businesses can significantly contribute to the advancement of this sector.

These recommendations aim to create an enabling environment for rural entrepreneurship by addressing challenges and enhancing opportunities in rural areas, ultimately contributing to rural development and economic growth.

REFERENCE


