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RURAL ELECTRIFICATION, ENTREPRENEURIAL OPPORTUNITIES AND PERFORMANCE OF MICRO ENTERPRISES IN RESOURCE CONSTRAINED ECONOMIES

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Principal Topic

Entrepreneurial opportunities, be they of Kirznerian type that simply replicate existing ideas or of Schumpeterian type that are new and innovative, will vary across different contexts. Entrepreneurial opportunities may arise due to a) errors or omissions made by prior decision makers thus creating surpluses and shortages or b) changes in technology, regulatory and political frameworks, social and demographic factors or other external factors bringing about opportunities that did not exist previously (Shane, 2003). Indeed, electrification facilitates technological changes by providing energy that is needed to run technological equipment. The need for electrification is more pronounced in emerging economies than developed economies. With this in mind, this study set out to investigate the role of electrification in the generation of entrepreneurial opportunities among micro enterprises in rural areas of emerging economies. Using insights from Shane's (2003) conceptual framework, this study addressed the following key question: how does electrification facilitate the generation of entrepreneurial opportunities and subsequent entrepreneurial outcomes? Specifically, the study was focused on two main objectives: a) to investigate whether there is a significant variation in entrepreneurial opportunities in rural electrified communities compared to non-electrified communities, and b) to examine whether there is significant variation in entrepreneurial outcomes in electrified rural communities compared to non-electrified communities.

Method

This study uses observation data between 2011 and 2014 from entrepreneurs in two villages in rural Africa, Kenya: one electrified and one non-electrified village. Data from individual micro entrepreneurs was gathered through a structured questionnaire and analyzed quantitatively using STATA.

Results and Implications

The results of this study indicate that entrepreneurial opportunities, processes and outcomes are facilitated by electrification in African rural communities. Indeed, electrification opens up new business opportunities such as mobile phone and battery charging, among others, resulting in the creation of more start-up firms. Electrification also facilitates entrepreneurial processes by enabling micro entrepreneurs to extend their working hours. It also improves the operation of activities such as cooking, ironing and tailoring (Bastakoti, 2003; Neelsen & Peters, 2011). Finally, electrification facilitates the performance of micro enterprises. These findings show the importance of electrification to the study of rural entrepreneurship hence the need to consider moderating and/or mediating effects of electrification in emerging economies.

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