

Small Entrepreneurship as a Provider of Viability in Rural Areas

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The rural areas of Latvia are characterised by mostly small agricultural holdings less than 9 ha in size, whose owners are little engaged in the production of conventional agricultural products, as they produce the products for own-consumption and urgently need monetary income to meet their basic needs. An analysis of the statistical data shows that those living on such small farms are mostly part-time employees, and they can objectively focus only on the expansion of multifunctional economic activity. An analysis of the real situation reveals a number of economic activities assisting in tackling this problem.

The first one is food crafts. The market demand for healthy, fresh and traditional foods, especially those perceived as a component of national cultural heritage, increases in the society. A survey of residents (n=327) conducted in 2016 showed that the population in the country wished to consume local traditional foods produced in Latvia. This was confirmed by almost a third (70.9%) of the respondents who believed that the demand for such products would only increase in the nearest years.

Table 1

Percentage distribution of the most preferred shopping sites for local foods by the respondents (several replies are possible)

Shopping sites	Specialty shops	Farmers' market	Department* in supermarket	Directly from farmers	„Green market”	Other
	22.3%	38.8%	9.2%	30.6%	40.1%	0.3%

*- department of ecological products

Source: authors' calculations based on the survey data

The increased activity of food craftsmen is response to the growing demand. First, food craftsmen associations emerge, which mobilise resources for production, cooperate for the purpose of sales and establish their own stores or special sales sites. A typical example is the association Food Craftsmen in Jelgava municipality. The association Food Craftsmen emerged owing to the local government's activities carried out in 2014 when the local government created opportunities for financial assistance to find premises for a shop. Now, the new shop premises are at the disposal of the association that has greater opportunities for commerce and cooperation with small entrepreneurs in neighbouring municipalities – Tervete, Auce, Ozolnieki and Bauska. It is planned to expand this cooperation in future. This means that performance drives towards sustainable growth. Second, cooperation networks – green markets – have emerged, where food craftsmen from a number of municipalities hold a joint green market at weekends, every time in another municipality of cooperation. A great example is what performance agents have achieved in Gulbene municipality – a cooperation network of green markets formed in four municipality centres – Smiltene, Balvi, Aluksne and Gulbene –, which was initiated by Gulbene municipality and which is held every week in another town. And third, one can mention that a kind of cooperation between

urban residents and food craftsmen, named “Direct marketing groups”, emerged in recent years, which is an explicit manifestation of public activity where the most active participants, usually women, make and maintain contacts with food craftsmen, take and make orders and receive the products ordered, which are redistributed to the group’s participants. In Latvia, 22 such groups have been officially registered, of which 12 operate in Riga, 10 in cities and towns and 8 undergo the procedure of doing official paperwork. A classic example of e-commerce and its role in the development of small entrepreneurship in rural territories is, for example, the family enterprise “Tirzas bullis” (Gulbene municipality) that produces beef and sells it through its e-commerce system. If the e-environment is sufficiently developed not only in the country’s cities but also in its rural areas outside municipality centres, the way is paved for small entrepreneurship. Latvia as a country can be proud of performing well in this respect, as Latvia was ranked in 14th place among 190 countries in the World Bank’s Doing Business report. It means that the e-environment is functional, the problem is the skill to use it and apply for entrepreneurship, which depends on the population living in the particular territory.

The second economic activity is the contribution of the micro-credit movement as a entrepreneurship support system to small entrepreneurship. The twenty-year long performance of the movement proves the effectiveness of this approach. The micro-credit movement in Latvia is a result of synergy of cooperation among the participants of the movement, their integration into the Latvian Rural Women Association and cooperation with scientists of Latvia University of Agriculture. The micro-credit movement in Latvia demonstrates the role of cooperation between scientists and practitioners within the smart development strategy. The scientists (LLU) brought the idea of microcredit to Latvia, as well as information about such a microcredit movement and its performance in Sweden, Norway and Finland, wrote and submitted project proposals to implement their ideas and engaged in educating rural women for the start-up of entrepreneurship. Within local organisations, the Latvian Rural Women Association looked for and found women who were interested in starting up entrepreneurship and ready to engage in microcredit groups. The idea of microcredit came to Latvia in the middle of the 1990s. The process of formation of microcredit groups began in 1997 owing to the project „Baltic – Nordic Rural Women Network” funded by the Nordic Council of Ministers, which was carried out within the Interreg IIIB FEM project, and during 20 years it proved its significance in the development of entrepreneurship in rural territories. A great part of entrepreneurship started up is oriented towards producing traditional foods (curds, cheese, vegetables, fruits and teas) and services (tourism, retail trade, public catering, cosmetic services and sewing).

At a meeting dedicated to the 20-year anniversary of microcredit (on 2 February 2017), some microcredit movement participants having been successful in entrepreneurship stated a couple of important conclusions and a few critical notes.

Table 2

Key conclusions stated by the microcredit movement participants

Positive conclusions:	Critical notes:
The start-up and expansion of small entrepreneurship allowed expressing one’s	The expansion of the microcredit movement requires more funds, so that a greater

personality, contributed to one's growth and becoming free.	number of individuals can get micro loans. At present, domestic banks are minimally interested in granting small loans, particularly if a borrower lacks sufficient collateral.
Incomes are earned, which give an opportunity to be with one's family.	The national taxation system is complicated and unclear.
There was a need to persistently enhance and build up knowledge and skills in the fields of computer use, business in the e-environment, marketing, communication and new niche products.	There is too much government intervention.

Source: authors' summarised views of participants.

However, at the end of the meeting, an idea was expressed that "The key prerequisite for successful business is the individual – all the other problems can be solved!"

This means that the viability of rural areas is controlled by rural residents themselves and their readiness for active engagement. Both the first and the second perspective on promoting small entrepreneurship proves the necessity for cooperation, collaboration and achieving synergies, which provides greater opportunities for ensuring viability in rural areas.

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