



## Research Article

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# Rural Entrepreneurship and Its Financing: A Theoretical Review

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## Abstract

*One of the factors for the development of rural environments is entrepreneurship in the communities. The research identifies the theoretical aspects that are developed around entrepreneurship and entrepreneurs in the rural context, and the importance of financing in rural environments based on the literature review. The study incorporates the descriptive deductive method of documentary type, based on data from articles published in Scopus and WoS, obtaining a total of 25 documents related to entrepreneurship and its financing. The results show that financing is restricted by employing credits oriented to the rural area and mainly if it is a woman, which probably harms rural entrepreneurship so that financial institutions of popular and solidarity economy can become important sources of financing for entrepreneurship in rural environments. In general, financing for rural entrepreneurship is scarce, or they lack mechanisms and channels that allow bringing the entrepreneur closer to sources of financing. Studies have been carried out on rural enterprises and, therefore, a theory is being developed that takes into account the gender approach.*

**Keywords:** Rural enterprises, productive activity, cooperatives, financing, gender

## 1. Introduction

Entrepreneurship in rural environments is mainly related to agriculture, as well as other types of entrepreneurs, such as manufacturing, commerce, industry, service and tourism. From a theoretical perspective, entrepreneurship has several approaches, one of them is Joseph Schumpeter since according to this author entrepreneurship is a function of entrepreneurs when they revolutionize production by exploiting investment, bringing, as a result, the creation of wealth

(Schumpeter and Nichol 1934). In many aspects, entrepreneurship is not only about new ideas but it is about introducing creativity and innovation as also mentioned by one of the authors of management (Frederick et al., 2018). From this perspective, entrepreneurship is considered from two points of view: a) as the founder of the company, from Schumpeter's theory, where it is considered that:

An entrepreneur is the founder of a new company, an innovator who breaks with the traditional way of doing things, with the established routines; he must be a person with leadership skills, and with a special talent to identify the best way to act. The entrepreneur can see things as no one else sees them, and entrepreneurs are not managers or investors, they are a special kind of people" (Schumpeter and Nichol 1934, 77-78, cited in Carrasco and Castaño 2008, 122).

This allows entrepreneurs to become agents of transformation for society because they are the elements that generate jobs and self-employment; b) as a market entry, this means that:

The entry of firms into new or established markets (both domestic and international), the introduction of new products into the market, and organizational developments that enable firms to improve the quality or price of products or adopt more efficient ways of producing" (Lederman et al, 2014:3).

And, c) as entrepreneurship, which consists of inducing changes and motivating business success based on the entrepreneurial spirit that the entrepreneur may have, at this point, it is important to mention that entrepreneurship is related to entrepreneurship which consists of the attitude and process of creating an economic activity combining risk-taking, creativity and innovation with sound management, in a new or existing organization; thus contributing to the creation of employment (Saavedra et al., 2020).

On the other hand, the theory shows that the entrepreneur is "who starts a business and manages it, combining factors of knowledge, capital and labor" (Say, 2009); it is also considered the person who should take risks and innovate (Schumpeter, 1934; Knight, 1921). Thus, it could be mentioned that rural entrepreneurship refers to the creation or innovation in rural environments, where the initiation of an enterprise should consider the identification of opportunities, advantages and disadvantages, and the determination of objectives according to the satisfaction to be achieved.

From this frame of reference, the literature review will answer the questions: What theories have been developed with rural entrepreneurship? How important is financing for entrepreneurship? What kind of studies has been carried out? Thus, the objective of the research is to know the theoretical aspects that are developed around entrepreneurship and entrepreneurs and the importance of financing in rural environments considering the gender approach based on the review of the literature on the subject.

## 2. Methodology

The research considers the deductive method, a descriptive level of documentary type. The Scopus and Web of Science (WoS) databases were used to identify studies on entrepreneurship and financing. Thus, the collection of information is based on the Prisma methodology and content analysis. For the search of information, the databases Scopus and Web of Sciences (WoS) were used, corresponding to a period of analysis from 1969 for WoS, and 1989 for Scopus, until May 2022. The number of bibliographic references of the two databases reviewed with the equation "entrepreneurship and financing" were:

Table 1. Bibliographic search

Search terms	Scopus	WoS	Total
entrepreneurship and financing	1500	4100	5600
entrepreneurship and financing, and rural	60	415	475

Source: Own elaboration

Based on this, according to the Prisma method, we proceeded to exclude those articles that are not in English or Spanish.

### 3. Results

Research shows that there are different studies and from different perspectives, but fundamentally from a gender approach, Castillo et al. (2020) studied female empowerment in rural areas and by indigenous peoples; Arias and Ribes-Giner (2019), António and Pinto (2022), Saavedra et al., (2020) studied on the changes in entrepreneurial roles; García (2018) identifies factors that boosted rural entrepreneurship; Quispe et al., (2017) identified cultural factors in rural entrepreneurship; Benegas (2013) show the importance of good practices in the development of entrepreneurship; Taborda and Sosaa (2014) analyze how rural entrepreneurship is developed; Sanchis et al., (2010) show the importance of social entrepreneurship and on the other hand linked to the socioeconomic aspect. Gigaauri et al. (2022), Hirschfeld et al., (2022), Raman et al., (2022), and Ferradas (2016), on the other hand, show the importance of physical space for ventures; Talón et al., (2014) show the importance of developing tourism ventures. This means that research has different purposes and conclusions; however, most studies agree that ventures in rural environments depend on the type of activity that is initiated as an entrepreneurial idea and what innovative element is introduced.

Entrepreneurship is the entrepreneurial activity focused on the management of radical and discontinuous change, or strategic renewal, regardless of whether this strategic renewal occurs inside or outside existing organizations, and regardless of whether or not this renewal results, or not, in the creation of a new business entity (Kundel, 1991; Frederick et al., 2018); thus it is also the activity that results from taking advantage of opportunities presented by the market, through the generation of innovative proposals that capture the preference of consumers, providing progressively positive socioeconomic solutions in the environment, raising the company's resources to products with high added value, taking knowledge as the generating axis of progress. Burgos et al., (2017), Gobin et al., (2017), and Kraus et al., (2020) have a multidimensional character in that it goes beyond the rational analysis of management; this focuses on social construction of knowledge and establishes a vision of the objectives to proceed to identify the resources for their realization, through imagination and creativity. From the managerial perspective, the evaluation of risks and benefits was incorporated, in response to the dynamics propitiated by new ideas and different ways of doing things (Korsgaard et al., 2015; Liu et al., 2021). In other words, entrepreneurship refers to performing activities differently, assuming the risks of productive economic activity.

On the other hand, it is also important to mention that entrepreneurship studies have incorporated definitions of social entrepreneurship that are related to rural entrepreneurship (Table 2).

**Table 2.** Definitions of social entrepreneurship.

Authors	Definition
Schwab (2014)	It is the work of the community, voluntary and public organizations, as well as private companies that work for social development and not just for profit.
Lepoutre et al (2011)	It is a business activity that aims to address the problems of society.
Tukamushaba, Orobia, George (2011)	It is the application of innovative approaches to the solution of social problems.
Waddock and Post (1991)	An individual who brings about changes in the perception of social problems. They play a critical role in bringing about 'catalytic' changes in the public sector and the perception of certain social issues.
Boschec (1998)	Social entrepreneurs are not-for-profit executives who increasingly pay attention to market forces without losing sight of their core missions, somehow balancing moral imperatives and the profit motive, and the balancing act is the heart and soul of the movement.

Authors	Definition
Bornstein (2004)	A social entrepreneur is a path breaker with a powerful new idea that combines foresight and real-world creativity to solve problems, has a strong ethical fiber, and is fully owned by his or her vision for change.
Thompson et al. (2000)	People who realize that there is an opportunity in some unmet need that the state welfare system is unwilling or unable to meet, and who gather the necessary resources (usually people, often volunteers, money and facilities) and use them to 'make a difference.
Brinckerhoff (2000)	Social entrepreneurs are risk takers on behalf of the people their organizations serve.
Dees, J.; Anderson, B. and Wei-Skillern, (2004)	This is the person who plays the role of change agent in the social sector, by: 1) Embracing the mission of creating and sustaining social value (not just private value), 2) Recognizing and relentlessly pursuing new opportunities to serve that mission, 3) Engaging in a process of continuous innovation, adaptation and learning, 4) Acting boldly without being constrained by resources, and 5) Exhibiting major responsibilities that serve to create the outcomes.
Brouard and Larivet, (2010)	Social entrepreneurs are innovators who are determined to tackle some of society's deepest problems by embracing new business ideas.
Drayton (2002)	What defines a social entrepreneur, first and foremost, is that there is no entrepreneur without a force, a new idea and a system of change. an entrepreneur without a force, a new idea and a system for change. There are four necessary ingredients: creativity, and widespread impact.
Townsend y Hart, (2008)	People with qualities and behaviors that we associate with the entrepreneur, but who operate in the community and are more concerned with caring and helping than 'making money'.
Boschee and McClurg (2003)	A social entrepreneur is anyone, in any sector, who uses strategies to pursue a social goal, and a social entrepreneur differs from a traditional entrepreneur in two important ways: traditional entrepreneurs often act in a socially responsible manner. Second, traditional entrepreneurs are measured by financial results.

Source: Own elaboration based on Nicolás (2014) and authors cited.

### 3.1 Rural entrepreneurship

Among them, it can be identified that rural entrepreneurship is defined as the creation of a new organization that introduces a new product associated with the agricultural practice, services or that creates a new market or uses new technology in a rural environment (Bedoya-Dorado et al., 2020) among others (Table 3), Castro-Peña and Hoyos-Bravo 2020), among others (Table 3), and that this comes in a process of growth. Given that entrepreneurship in rural communities is a function of an organized economy articulated to the production processes and is related to the most limited opportunities and poverty. Bedoya-Dorado et al. (2020) argue that a rural enterprise is related to the creation of a new organization that introduces a new product associated with the agricultural practice, services that create a new market or uses new technology in a rural environment; and also that they are popular mercantile microenterprises, mostly family and small, are organized based on the strategies of the domestic units and are subordinated to the same logic: they do not seek the accumulation of wealth or capital without limits but are mediations to achieve better living conditions through obtaining a net income through the autonomous production and sale of goods and services (Freire et al., 2019).

Thus, rural entrepreneurship is the creation of businesses in rural environments. Also, rural entrepreneurship is part of the socio-economic process of a community (Merino-Murillo et al., 2022); therefore, it is related to undertakings that occur at the community level. From this perspective it is understood as:

A set of efforts made by a group of people who make up an organization, association, community or other type of entity in order to improve the social and economic situation of each of its members in a local environment. Its objectives are to provide opportunities for social and economic

development to the members of the organization, at the same time promoting the insertion of its members, motivating the participation of its members, assuming with responsibility the challenges that this implies, as stated in his research (Méndez, 2017; Merino-Murillo et al., 2022, 65).

Thus, a community enterprise or in rural environments is a community initiative that aims to improve the quality of life of the communities. These types of enterprises can have different purposes, such as generating employment, improving income levels, taking advantage of available resources, improving the quality of life, reducing poverty levels, mitigating migration, diversifying local productive capacity, improving local competitiveness, among others.

Another of the concepts to be reviewed was that of the entrepreneur. In this context, an entrepreneur “is an important element, thus, an entrepreneur is understood as “one who resolutely undertakes difficult actions” (Bucardo et al., 2015, 99) and García et al., (2007) mention that the entrepreneur is “an entity that generates economic growth mentioned by Shumpeter (1934 cited in (Bucardo et al., 2015). Likewise, the entrepreneur is an agent of economic development, also understood as “the individual who assumes risks under conditions of uncertainty”. For Toro & Ortégón (1999, cited in Marulanda et al., 2014, 91), “It is an individual leader, foresighted, risk taker and evaluator of projects, and who mobilizes resources from a zone of low performance to one of high productivity”.

### 3.2 Approaches to entrepreneurship

According to Giraldo (2018, cited in Bedoya-Dorado et al., 2020), entrepreneurship have two objectives “on the one hand, it seeks to create in the popular sectors the illusion of achieving success by creating their own business, and, on the other hand, it seeks to incorporate these same sectors to the economic formalization to include them in the tax and financial system” (p.97). And, studies reflect that there are about two approaches that characterize entrepreneurship, which is the sociological approach and the psychological approach. Where in the sociological approach, the entrepreneur undertakes based on the characteristics acquired throughout his life through a process of socialization of factors such as economic, social, psychological, and cultural among others. On the other hand in the psychological approach entrepreneurship occur when the entrepreneur has innate characteristics acquired in the early years of his life based on a link with people, families or workers (Aquino et al., 2018; Boldureanu et al., 2020; Kraus et al. 2020; Gupta et al., 2020), as shown in Figure 1.

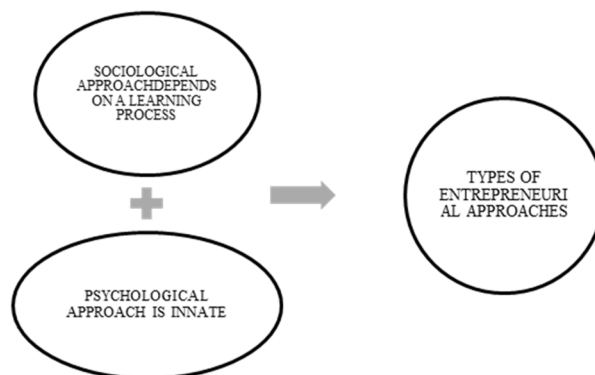
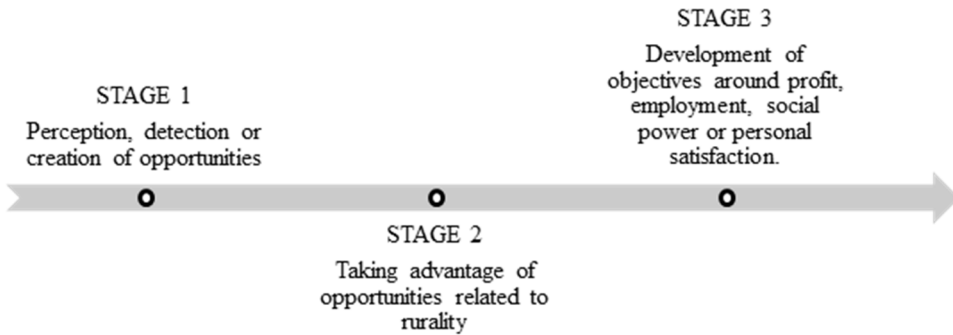


Figure 1. Approaches to entrepreneurship

Source: Own elaboration

Likewise, there are different stages for an urban or rural enterprise to exist, among which three stand out, as mentioned by La fuente and Gómez (2015) and Stathopoulou et al., (2004).



**Figure 2.** Stages of entrepreneurship  
**Source:** Arias and Ribes-Giner (2019)

Each of these stages comprises, at least, that the entrepreneur to start a venture considers: 1) the first stage, the entrepreneur perceives that he has an opportunity to carry out his business idea and must take advantage of the opportunity, availability of resources, demand and supply fundamentally; in the case of the 2) the second stage, the entrepreneur must consider as an advantage of the opportunity the fact of undertaking in rural areas, because it could be the first venture in rural environments and thus achieve improve the local situation; and 3) the third stage, the entrepreneur should develop economic and social objectives, to take advantage of market opportunities, and set them in terms of related elements such as profit achievement, employment or self-employment generation, social recognition in their environment and personal or family satisfaction.

### 3.3 Types of entrepreneurship and entrepreneurial activities in rural environments

Enterprises in rural environments can allow the development of different economic activities, such as 1) agricultural, which is related to the production of agricultural products, from vegetables to fruits, as well as related to livestock; 2) transformation, which is related to the transformation of agricultural or livestock products into intermediate or finished products to commercialize in local markets or intermediate or metropolitan cities; and 3) non-agricultural, related to other branches of the local economy, such as services, industry, commerce and tourism (Fortunato, 2014; Korsgaard et al., 2015; Loaney, 2019; Anisiewicz, 2021). On the other hand, according to Arias and Ribes-Giner (2019), the activities that are developed in rural areas are those shown in Table 3.

**Table 3.** Entrepreneurial activities in rural environments.

Activity	Author
Rural tourism	Fortunato (2014); Urquijo et al. (2017).
Property rental and sports practice	Saiko and Kanno (1990)
Hunting, fishing, birdwatching, and adventure	Eikland and Lie (1999)
Lodging and meals	Bijaoui and Regev (2015)
Culture, art, participation in festivals	Hjalager (2017)
Trade and biodiversity	Miller and Korsgaard (2018)
Organic agriculture	Hisano and col. (2018)
Energy generation and environmental services	Ferguson and Hanson (2015)

**Source:** Arias and Ribes-Giner (2019)

On the other hand, entrepreneurship activities in rural areas are related to the ecological production of vegetables in community solar tents, community meat processing, classification and selection of camelid fiber, production of utilitarian ceramics, production of essential medicinal oils, production of dry and liquid rations for school breakfast, production of small animals (Merino-Murillo et al., 2022, 65).

Finally, it is important to mention that studies on entrepreneurship show that the role played by rural entrepreneurs is related to aspects such as motivator, recruiter of people, transformer, innovator, catalyst of change, planner, organizer, decision maker, risk taker, leader, integrator, intermediary, participative, identifier of opportunities and threats, among others. Likewise, studies show that there is a high tendency of male entrepreneurs in rural environments, but also a significant proportion are women.

### 3.4 Characteristics of rural entrepreneurs

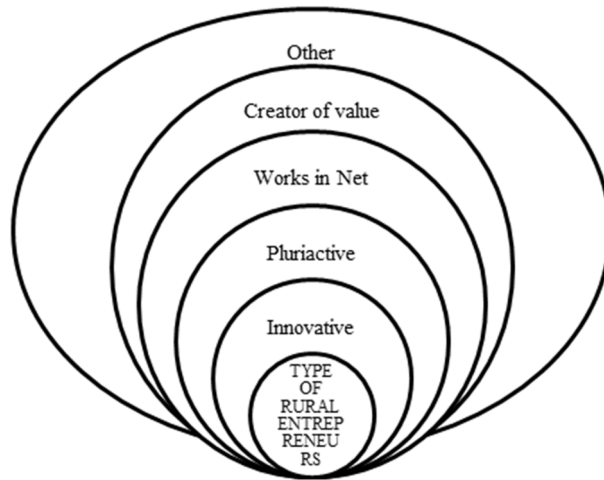
Entrepreneurs according to the studies conducted may have different characteristics, such as those mentioned by Bucardo et al., (2015), shown in Table 4, where it can be seen that most entrepreneurs are characterized by being a person who takes risky decisions, and have the creative ability to generate new value.

**Table 4.** Characteristics of entrepreneurs.

Authors	Features
Richard Cantillon (1975)	A person who is characterized by buying products at known prices to sell them at unknown prices.
Shumpeter (1934)	Economic growth generator, creative destroyer (a development process characterized by constant innovation).
Cantillon, Thunen and Baudeau (cited in Rodríguez, 2009)	Risk taker and overly intelligent person.
Benthan and Smitth (cited in Rodríguez, 2009)	Decision maker with innovative risk and as an innovative worker.
Pereira (2003)	It is the one who perceives the opportunity and creates the organization to take advantage of it.
De Vries (1977)	Conceives and implements an idea through innovation, management and risk taking.
Drucker (1970)	Executes the tasks of projection, combination, innovation and anticipation.
Baumol (1968)	He is more than an organizer and innovator; he must obtain new sources of resources and marketing methods and structure a new organization.
Dees (1998)	It is capable of creative destruction, value creation, opportunity identification and ingenuity.

**Source:** (Bucardo et al. 2015, 101)

In this way, the characteristics identified are also applied to entrepreneurs in rural environments, establishing that the types of entrepreneurs can be framed as follows: (a) innovative entrepreneur who takes risks and starts a business; (b) entrepreneur with multi-activities, who are not related to agriculture; (c) entrepreneurs who work in networks and connect to the market; (d) the social entrepreneur in the rural environment, (e) entrepreneurs who create value through innovation, and (f) others, as also shown by Arias and Ribes-Giner (2019) (see Figure 3).



**Figure 3.** Characteristics of entrepreneurs in rural environments.

**Source:** Own elaboration

In the same way, it is mentioned that there are individual, motivational and functional characteristics where:

- a) Individual characteristics, are composed of: 1) personality traits (qualities, attributes, traits, factors and habits that distinguish a person from others; 2) values (power, achievement, hedonism, stimulation, self-direction, independence, benevolence, tradition, conformity (acting in accordance with social expectations and norms), security and universalism (understanding, appreciation, tolerance and protection for the welfare of all people and for nature); 3) capabilities and competencies and demographic aspects (Adaptability, flexibility to embrace change; autonomy, seeking independence and freedom of action; risk-taking ability, willingness to accept risks and assume the responsibilities involved; self-confidence, security in the assessment about ourselves, ourselves and our capabilities; continuous setting of objectives, ability to set clear goals that are challenging but achievable; innovation, feeling comfortable and open to new ideas, approaches and information; internal locus of control, perceives that success depends on him/her rather than on external circumstances; perseverance, capacity for sacrifice, commitment and determination; power of persuasion, ability to influence others to obtain one's own interests; proactivity, acting in anticipation of future problems, needs or changes; tolerance of uncertainty, bearing tensions and living with some insecurity); 4) demographics (age, education, background and gender).
- b) Motivational characteristics, for different reasons such as: physiological, security, love, esteem (and self-esteem) and self-fulfillment.
- c) Functional characteristics, related to economics and business management. They are related to functions, such as: managerial process, highlighting the following: identify and understand a sector of activity of interest, identify a business opportunity, define an organizational context, create a business architecture, organize, recruit, select and hire human resources, cope with human resources to carry out complementary visions, communicate, motivate, lead, compare predictions and analyze differences, correct, adjust, improve, establish and restore the central vision and complementary visions (Marulanda et al., 2014).

This means that entrepreneurs have different characteristics, as shown in Table 5.



Table 5. Characterization of entrepreneurs.

Characteristics	Variables	Meaning
<b>Individual characteristics</b>	Entrepreneur personality traits	They are internal psychological characteristics that terminate and reflect how an individual responds to his or her environment (Schiffman and Kanuk, 2005).
	Values - Attitudes	They are cognitive representations of three types of universal human needs: 1. Needs of individuals as biological organisms. 2. Needs for the coordination of social interaction. 3. Needs for survival and well-being of the group. Based on these three needs, Schwartz and Bilsky (1990)
	Capabilities and competencies	López et al. (2004) refer to capabilities and competencies as the skills and knowledge of the individual that result from the evolution of skills developed throughout his or her life, thanks to learning and experience.
	Demographics	The demographic characteristics that have been most analyzed regarding the figure of the entrepreneur are age, education, origin and gender (Kirkwood and Brown, 2001).
<b>Motivational characteristics</b>	Motivations	the "Theory of Human Motivation", Maslow (1969) explains that human beings are motivated by the desire to achieve or maintain conditions in which we have satisfied basic needs, which he classifies into five groups: physiological, security, love, esteem (and self-esteem) and self-actualization.
<b>Functional characteristics</b>	Functional	The functions of the entrepreneur in the organization are found in Tuttle (1927), from "organized business unit". It considers land, capital and labor factors for efficient production and are controlled and directed to that end, which constitutes a task for the highest type of human labor.

Source: Adapted from Marulanda et al., (2014, 91 a 97).

Regarding the profile of entrepreneurs, studies show that most entrepreneurs are men; however, since entrepreneurship is mainly a personal initiative that responds to economic and employment needs, it is also developed by women. Studies show that the participation of women as entrepreneurs is growing, mainly in rural areas. The profile of women entrepreneurs is related to independence, because "a new profile of women entrepreneurs seems to emerge in rural areas, less dependent on the traditional family structure and closer to both personal and economic independence" (Talón et al., 2014).

### 3.5 Financing for rural enterprises

Economic theory mentions that financing should be based on savings and investment, but Romer (2005) shows that the "market is responsible for allocating productive resources when the entrepreneurial agent does not have sufficient resources for investment, assuming a market interest rate to finance productive activities, for which it makes an intertemporal substitution between present consumption to assume the credit obligation that guarantees the balance between savings and investment". Financing is another aspect related to entrepreneurship because there is a relationship between business performance and financing and network affiliation (Sharma et al., 2012; Okeke & Nwankwo, 2017; Xie et al., 2020). On the other hand, it is important to obtain financial support coming from traditional networks such as family and friends (Suhai Ghouse et al., 2018); however, according to the study conducted on "the characteristics of the entrepreneurs, such as age, education and marital status of the entrepreneurs, do not influence the sources of finance to fund their microenterprises. However, the nature of the business, the location of the enterprises and the

age of the enterprise are important factors that affected the sources of financing of the enterprises” (Kumari & Mor, 2021.334).

On the other hand, microfinance in rural areas allows for helping and empowering women and minimizing risks, as well as can be a solution for poverty alleviation (Ukanwa et al., 2018); also, microfinance contributes to economic growth, improved living conditions and economic development (Nukpezah & Blankson, 2017; Urban & Ratsimanetrimanana, 2019; Ji et al., 2021; Liu et al., 2021); however, it is also noted that microfinance granted may become diverted to meet family needs (Ukanwa et al., 2018) and the “timing of the loan depends on individual goals and expectations” (Nukpezah & Blankson, 2017, p.469).

Studies conducted show that credits allow women to acquire capital to expand their farms, buy raw materials for processing, and buy items to increase their products for the market (Nukpezah & Blankson, 2017), they establish, on the other hand, a comparison of credits granted and requested and alternative ones. The results show: 1) that entrepreneurs do not borrow from lenders as verified by (Steel & Andah, 2003) when they mention that entrepreneurs turn to community organizations and informal agents, such as; rural and community banks to achieve their financing; 2) Friends and relatives are the sources of credit for those who start a business; 3) concerning the amount of credit it is identified that credit from friends is lower than family members, thus establishing that there is a “low use of alternative sources of credit in rural areas can be explained by the endemic poverty in these communities” (Nukpezah & Blankson, 2017, p. 469 ), furthermore, that it was found “that microfinance improved access to credit and business productivity and led to improvements in the standard of living of beneficiaries when integrated with social intermediation programs that emphasize group relationships” (p.473).

It also establishes the importance of financing in the start and development of entrepreneurship, since in their study, the results show that women entrepreneurs have various needs such as: support from public institutions, management consulting, social support, experimental employees, access to raw materials, angel investor, tax exemption, financial support (Johnson, 1989; Robinson et al., 2004; Henderson et al., 2007; Kalemci & Araz, 2017; Zin & Ibrahim, 2020). Financing is not only related to a financial system such as credits through financial institutions that can be banks, cooperatives, rural banks among others as external sources, however, studies conducted by (Gobin et al., 2017) show that entrepreneurship can be promoted by introducing a cash transfer, that the same has an important effect on consumption, savings, income, and getting out of poverty; for example, the increases that are identified are shown in table 6.

**Table 6.** Effects of cash transfers.

Type of effect	Author	% Start year	Years elapsed	% Final year
Income	(Banerjee et al., 2015)	22,8%	3 years	25,7%
Income	(Bandiera et al., 2017)		4 years	38%
Consumption	(Bandiera et al., 2017)		2 years	Not significant
Consumption	(Banerjee et al., 2015)		2 years	Small 5%
Savings	(Banerjee et al., 2015)		2 years 3 years	155,5% 95,7%
Savings	(Gobin et al., 2017)		2 years 3 years	155,5% 95,7%

**Source:** Own elaboration

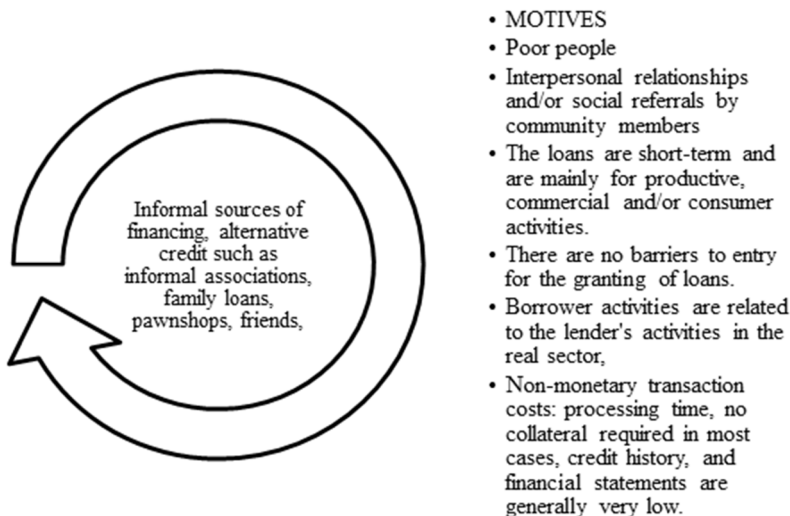
Thus, there are two types of financing: formal and informal.

**Formal financing**, is related to formal credit from institutions of the banking or cooperative financial system. Along these lines, Floro and Yotopoulos (1991), cited in Olivares (2004), mention that:

is limited by the financial regulations in force and the conditions of the (formal) market itself, which define its operational characteristics, as well as the general guidelines within which its activities must be framed. On the contrary, in the case of informal credit, the limits are imposed by the same difficulties and imperfections of the associated markets (formal credit, goods) and the context in which it operates (p. 39).

And the financial institutions to which entrepreneurs can turn can be, for example, banks, cooperatives, mutuals and other financial institutions.

**Informal financing**, is related to alternative credits, such as those of informal associations, family loans, pawnshops, and friends, who grant financing under high-interest rates and some risks that both lenders and borrowers may run. Informal financing “is a flexible source of financing, which is neither regulated nor supervised by bodies that guarantee the financial system in general” (Olivares 2004, 39), therefore, it can be used for various reasons (Figure 4).



**Figure 4.** Sources and reasons for informal financing  
**Source:** Own elaboration based on Olivares (2004, p.39)

It is important to mention that informal financial institutions have a minimal or no legal framework, operating rules and internal standards. Among these informal sources, they can be: Rural savings banks, revolving funds, workers' savings banks, cooperative committees (Frimanslund, 2022). As well as those that offer other financial services such as: Savings clubs, rotating savings associations, insurance systems, and moneylenders. On the other hand, microfinance in rural areas allows helping and empowering women and minimizing risks, as well as it can also be a solution for poverty alleviation (Ukanwa et al., 2018); thus also, micro finance contributes to economic growth, improvement of living conditions and economic development (Nukpezah & Blankson, 2017); however, it is also noted that micro finance granted may become diverted to meet family needs (Ukanwa et al., 2018) and the timing of the loan depends on individual goals and expectations (Nukpezah & Blankson, 2017). Therefore, entrepreneurs can resort to different types of financing and that will depend on the type of financial product and the conditions of credit granting, repayment terms and interest rates.

Once the articles referring to the enterprises and their financing have been reviewed, it can be seen that a significant percentage of them establish that financing is provided through loans and not

through a policy of international organizations or national entities. This has repercussions on the management, development and sustainability of the enterprises. There is a tendency to create policies and strategies that link entrepreneurship to local and national financing programs, that development agents allocate resources through incubator projects, market opening, and access to inputs, among others. The current financing system based on access to credit lacks norms and policies that guarantee the efficient use of resources, as well as benefit entrepreneurs as a whole.

#### 4. Conclusions

Rural enterprises are an important research topic, due to the visibility of entrepreneurs, especially in the female sector, although there is still no consensus on the definitions and conceptualizations of enterprises and entrepreneurs, as they are constantly changing depending on the application, area of intervention and type of idea, as well as the beliefs and values existing in rural localities; the approaches are also diverse and are related to the demographic, geographic, economic, social and cultural aspects.

The research identifies that financing for rural enterprises is scarce, or that there are no mechanisms and channels to bring the entrepreneur closer to sources of financing. On the other hand, the lack of knowledge about the supply of financial services is another limitation for the entrepreneurial community. However, the biggest problem is concentrated in the lack of policies and strategies oriented to this sector, which development agents do not consider as a relevant or important group in terms of generating social and economic value, and therefore, incentives or plans that motivate and promote rural productive activity focused on the creation and development of new business units, is limited. Finally, there is an increase in the number of studies on rural entrepreneurship and a theory that considers the gender approach is being forged. And, there is a disarticulation between urban and rural environments.

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