

## DANGERS AND OPPORTUNITIES OF STARTUP ACTIVITIES IN RURAL AREAS OF CAMEROON

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*Received 26 07 2024; Accepted 11 08 202*

### Abstract

The adage “too much of a good thing can turn sour” aptly applies to the geographic distribution of business ventures, where an excessive concentration in urban areas can lead to adverse outcomes. Empirical evidence shows a pronounced preference for urban centers over rural areas among startups and small businesses. According to Fed Small Business (2024), only 15% of small businesses in the United States are located in rural communities, with 85% concentrated in urban centers—a trend mirrored globally. This study investigates the factors driving the concentration of businesses in urban areas in Cameroon, examines the underutilization of rural spaces, and assesses the economic consequences of this imbalance.

Addressing this uneven distribution is vital for achieving balanced regional development, fostering inclusive economic growth, and advancing scientific development in Cameroon. The primary objective of this research is to analyze the determinants of business location choices and propose strategies for more equitable distribution of enterprises, thereby reducing unemployment and its associated negative impacts. The study will employ a mixed-methods approach, including a comprehensive literature review and analysis of industrial location data. The findings will inform strategies that make rural areas more attractive for business investment, promoting balanced and sustainable development across the country.

**Keywords:** *rural areas, urban areas, startup, regional policy.*

**JEL Codes:** *R10, R12, R13.*

### Introduction

The desire for a company to establish in an area can be described as industrial location. The decision for any enterprise to establish in a particular place, rather than others could be due to some factors, most or all of which will be best known to the decision makers concerned. However, a more general perspective reveals that companies will choose a specific area of location over others because of the benefits they stand to gain from their selected spot. These benefits may vary with respect to the type of company, their objectives, the type of good or service they produce or offer, their target market, personal reasons, costs and so forth. Among these enlisted items, cost has always stood out as a major determinant to location decision. The term cost is ambiguous as it has no specific definition that can give its exact meaning. According to Makris et al, (2014), the term “cost” would depend upon the nature of the business or

industry and the context in which it is used. The use of the term without qualification may be misleading.

In terms of locating a company in an area, cost may be considered as expenditures incurred in setting up a business in a particular place and at a particular time. These expenditures will vary, depending on the nature of the firm, but common ones will include rent, purchase and construction costs, setup cost, labour and operational costs. It should be noted that the main objective of every privately owned business is to earn as much profit as possible and decision to establish a startup in an area must align positively with this profitability vision. This explains why areas which are deemed charming by entrepreneurs are often the selected ones for industrial setup. By charming, they ascertain costs relative to benefits, accessibility to customers and huge market base, accessible and flexible transport networks to facilitate entry and exit of raw and

finished goods respectively, stable and consistent supply of energy, electricity, internet for continuous and improved business performance and so forth. These often fall under the features of city or urban centers, which are mostly the optimal choice for start-uppers. In spite the numerous and accrued benefits associated in establishing a startup in an urban center, there are equally demerits associated, which often may be heavier than the benefits if not effectively regulated. The attractions of these city centers often turns them into industrial clusters, thus creating social ills like congestion and pollution which diminishes the quality of life of the people and also necessitate more resources to eliminate it, thus reducing benefits of location.

This article is thereby focused on cross-examining the need for industries and startups to initiate their business centers in the rural areas, evaluating the challenges that may be associated in the process of setting up in these enclave zones and postulating relevant propositions to motivate these entrepreneurs. This examination process will constitute a thorough review of related literature on this aspect, analyze the ideas and concepts adopted by relevant authors and draw necessary conclusions, recommendation and proposals boost the process of industrial decentralization. Also, the research will provide valuable insights into the viability of rural areas in Cameroon as potential hubs for entrepreneurial activities. By identifying both the challenges and opportunities associated with rural startups, the study can guide policymakers and prospective entrepreneurs in creating supportive environments for rural entrepreneurship, highlights potential cost savings strategies, enable access to local resources, and community support available in rural areas, which can be critical for business success and sustainability.

**The object** of this research work is to examine the dangers and gains of startups in rural areas in Cameroon.

**The aim** of the research was centered on analyzing the economic, infrastructural, and social impacts of operating startups in rural areas, identifying both the potential risks and benefits, and to present strategies for maximizing gains while mitigating associated dangers.

From this aim, a number of **objectives** could be derived:

**1. Assess the Economic Impact of Startups in Rural Areas:** To evaluate the economic benefits and potential risks associated with establishing startups in rural regions, including job creation, income generation, and local economic development.

**2. Analyze Infrastructure Challenges and Solutions for Rural Startups:** To investigate the infrastructural challenges faced by startups in rural areas, such as transportation, internet connectivity, and utilities, and to propose viable solutions for overcoming these obstacles.

**Examine the Social and Environmental Implications of Rural Startups:** To study the social and environmental effects of operating startups in rural communities, focusing on aspects such as community integration, environmental sustainability, and welfare of residents.

**Identify Strategies for Enhancing Startup Success in Rural Areas:** To develop and recommend effective strategies and policies that can enhance the success and sustainability of startups in rural areas, taking into account local resources, market opportunities, and support systems.

**Research method:** This article involved a comprehensive analysis of existing literature from various authors on the subject area, reviewing pertinent ideas and extracting relevant points to bolster the research. Additionally, it encompassed the collection and analysis of data from startups within the rural areas of Cameroon. Data were gathered through a structured survey, with responses analyzed using Excel to assess the factors influencing the choice of establishment location. The results of this analysis were presented, leading to the formulation of relevant conclusions and recommendations.

### **Review of related literature**

As already discussed, it is clear majority of startups will prefer to site their companies in booming urban center for reasons already highlighted. Various authors who postulated ideas on this topic and similar ones also agreed on that decision. Cities offer significant advantages

to startups, as they benefit from economic activity and a large pool of skilled labor, which is supported by the theory of urban agglomeration economies (Rosenthal and Strange, 2004). Rural areas face challenges such as a limited consumer base, difficulty accessing specialized labor, remote supplier locations, and inadequate infrastructure (Audretsch and Feldman, 2004); these factors contribute to the liability of rurality phenomenon (Clausen, 2020) and often result in lower financial performance for rural startups compared to their urban counterparts. Beatriz C et al (2024) equally conceded to this idea by stating that rural areas are characterized by sparse population, low population density, remoteness, and population aging, which can discourage startups and undermine their financial performance, as the theory of urban agglomeration economies suggests. Just like Kinga and Skala (2024) stated, startups are viewed and understood as new forms of innovative and fast-growth ventures, emerging in traditional industries, creating intense competition towards provision of goods and services to better serve the consuming population. Worth noting here is that in every business competition among firms, there is bound to be increased efficiency due to inflated efforts to produce better commodities which will attract and win a greater market share. Such robust rush for a lion share of the consumer population only results to high quality goods being produced, thus raising the living standards of consumers generally. Therefore, for these feats to be effectively achieved, these startups must ensure that their area of establishment must be commensurate with their established objectives, so as to facilitate their smooth realization. Consider the case of Cameroon, where the startup ecosystem has been ranked second in Central Africa (Startup Blink, 2024). Visual evidence indicates that the majority of these startups are concentrated in the urban centers of Douala and Yaounde. Specifically, Douala, the economic capital, hosts over 90% of startups across various sectors, including Edtech, Fintech, technology, Foodtech, hardware and IoT, and Healthtech. This high concentration has

led to a significant increase in living costs and other social challenges typically associated with dense clusters of firms in specific areas. For example, a logistic startup which is into the business of transporting and delivering goods to wholesalers, retailers and even consumers must establish their warehouse in an area where the transport network is smooth and efficient for effective and prompt deliveries of ordered goods and services. With this mentioned, one will point to urban centers where transportation is known to be more developed and advanced than in some rural areas where there might be lags in that domain. However, there are also some limitations which may retard a business as such. Considering the cost of congestion and its associating effects, varied thoughts might develop as deliveries might be often late because of either huge traffic which hampers movement, accidents which might lead to road blockages, requiring users to use another longer route which is also time consuming. The persistent long run effect of such occurrences will be severe loss of customers due to not meeting to their timely delivery needs. In such a case, one might consider a rural area where transportation network is better off and free from consistent traffic, providing clear avenues for effective delivery. This will also be very effective since orders are submitted electronically and the company is the only party who undergoes the stress of effecting the delivery, making time their only objective to meet.

Aviad and Thomas (2013) on their part also agreed that economic activity tends to be concentrated in specific geographic locations often referred to as clusters. These clusters also attract the majority of new startups. To expatiate on this, the authors were referring to the booming urban centers which often are areas of industrial attraction for startups and other companies. Their stance aligns positively with the notion of establishing where things already look smooth in terms of excelling. Thus many will rush in to get a fair share of the urban excellence into their business, not minding the repercussions which may arise as a result of high industrial concentration, like increased costs, congestion

on social amenities and so forth. Stuart and William (2004) as well conceded to the idea by also explaining how the degree of concentration of economic activity is striking mostly in clustered zones in most economies. Their discussion equally correlates with the aforementioned benefits associated in setting up a business in such areas. According to Tracxn (2024), the top 5 companies in Cameroon are all headquartered in either Douala or Yaounde, aligning with the notion of location benefits associated with these areas. The sector of Akwa 1 and 2, Bonanjo, Bonapriso, Bonamoussadi constitutes the exact forum of concentration of these and more companies and startups and headquarters in the region, leaving booming regions such the South West, North West, West and Eastern Regions. A city like Buea in the South Western Region which is known to be a host of the first Anglo Saxon University is mostly filled with petty businesses like restaurants, roadside vendors, documentation and photographic spots, with only some branches of major corporations whose headquarters and numerous branches are mostly in the industrial zones. Currently, a clear and positive argument could be made about such decision because of the civil unrest plaguing this region but that will not be sufficient enough because even before the anglophone crisis in 2016, the situation was worst off, with fewer of such branches in the city. Limbe, another major city in the South West which harbours the biggest and mineral and oil refinery in Cameroon is also scarcely populated in terms of concentration of companies and startups. This particular city has been named the cleanest city in Cameroon but when it concerns the economic vibe, it is also filled up with mostly petty businesses and sole traders. Sadly, this is often the case in other other regions and cities in the country. The desire to start a business reflects an intent to invigorate the entrepreneurial spirit, achieve personal goals, and enhance economic welfare through the cumulative multiplier effects of business expansion. A primary objective for startups is to avoid failure during their initial stages, thus requiring entrepreneurs to prioritize essential and beneficial resources for business operations. Major urban centers, known for their substantial consumer populations, are often attractive for business establishment due to

proximity to customers, which fosters comfort and satisfaction, even for digital services.

So far, the above analysis has highlighted startups' strong preference for urban locations, driven by urban agglomeration benefits such as access to a larger consumer base, skilled labor, and infrastructure. However, this concentration also leads to increased costs and congestion, underscoring the need for balanced regional development. In Cameroon, most startups are concentrated in Douala and Yaoundé, leaving rural areas underutilized. Encouraging rural establishment offers advantages like lower costs, community support, reduced competition, and governmental incentives, ultimately fostering inclusive growth and long-term stability.

### **Research Methodology**

This research aims to investigate the advantages and challenges associated with operating startups in rural areas of Cameroon. The study will employ a mixed-methods approach to provide a comprehensive understanding of the topic. The design integrates qualitative and quantitative methods to explore the dangers and gains of operating startups in rural areas. This approach ensures a thorough analysis, capturing both numerical data in a semi structured survey and in-depth insights in the review of related literature.

### **Data Collection Method**

A comprehensive review of existing literature will be conducted to identify the current knowledge base, theories, and gaps related to rural startups. Sources will include academic journals and industry publications. In addition to that, a structured survey will be administered to startup founders and employees in rural areas. The survey will include both closed questions to gather quantitative data on factors such as costs, revenue, employee satisfaction, and qualitative data on personal experiences and perceived challenges.

With the application of a systematic sampling approach, 50 respondents from 4 startups who originally started their operations in rural settlements shared their opinion on the questions. The table below summarizes the responses:

**Table 1. Sampled display of respondents**

S/N	STARTUPS	RESPONDENTS
1	COSDEF	13
2	Iziway	14
3	Cameroon Book (CAMBOOK)	12
4	Prepdia	11
	<b>TOTAL</b>	<b>50</b>

*\*Source: Compiled by author from survey, 2024.*

Table 1 above displays the various respondents in the respective companies, all totaling 50. These respondents were selected, based on certain criteria as listed below:

- Willingness to participate in the survey. This can be attributed to the desire to share ideas without being forced or influenced in anyway.
- The level and duration of experience in the domain concerned. This is backed by the expertise of the respondents in the concerned area.
- Experience in business was also an added attribute

These selected startups play a crucial role in motivating other potential ventures to consider rural areas for their operations and potential expansion. Their selection was based on their commitment to promoting regional equity by encouraging business relocation or the establishment of branches in rural areas. Discussions with their teams regarding location preferences highlighted the advantages of rural settings, particularly in terms of lower costs and reduced competition, offering a significant market advantage. The consensus among these startups emphasized that lower operational costs and increased revenue potential among other reasons are key drivers for choosing rural locations.

### **Ethical Considerations**

**Informed Consent:** Participants will be informed about the research purpose and consent will be obtained.

**Confidentiality:** Participant identities and data will be kept confidential.

**Voluntary Participation:** Participants can withdraw from the study at any time.

### **Limitations**

**Response Bias:** Potential bias due to self-reported data.

**Generalization:** Findings may be specific to the geographic area studied and may not be generalized to all rural areas.

**Resource Constraints:** Limited resources may affect the breadth of data collection. It was difficult to get access to most of the founders to share their perspectives but majority of the employees were happy to share their ideas.

### **Discussion of results**

This research aimed to explore the benefits of establishing startups in rural areas, contrasting the typical focus on urban centers due to their attractive business provisions. A survey was conducted among 4 rural startups, and some responses were recorded. Following the analyzed outcome, the following examinations could be drawn from each company's response:

**Table 2. Analyzed survey results on establishing startups in rural areas of Cameroon**

Factors	Indicators (%)				
	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Lower operation cost	70	20	5	3	2
Access to resources	60	25	10	3	2
Community support	50	30	10	7	3
Infrastructure challenges	10	20	20	30	20
Skilled labour availability	15	25	20	25	15
Government support	40	30	20	5	5
Market limitations	20	30	25	15	10
Growth potential	50	30	10	5	5

*\*Source: Compiled by author from structured survey, 2024.*

The figure presents an analyzed result from all respondents. The following summarized observations from the analysis can be viewed:

- **Lower Operational Costs:** Majority of respondents (90%) agree or strongly agree that rural areas offer lower operational costs.
- **Access to Local Resources:** 85% of respondents perceive good access to local resources.
- **Community Support:** 80% find community support favorable in rural areas.
- **Infrastructure Challenges:** Only 30% consider infrastructure to be a significant challenge, while 50% disagree or strongly disagree.
- **Skilled Labor Availability:** Responses are mixed with a tendency towards disagreement regarding the availability of skilled labor.

- **Government Support:** 70% of respondents find government support beneficial.
- **Market Limitations:** Responses are varied, indicating some concerns over market limitations.
- **Overall Business Growth Potential:** 80% view the growth potential in rural areas positively.

From these shortened observations, it is obvious that majority of the views align with the idea to establish startups in rural, despite the fewer challenges. Their optimism in thriving in this area stands a pivotal element of interest and attraction for the rest to emulate.

To present candid and individual perspectives, each company's responses were summarized to demonstrate their positive correlation with the overall results presented in the previous table. Additional information about each company was provided, followed by their specific stance on rural establishment. The following table highlights these views:

**Table 3. Research Survey Analysis of Response**

<b>Prepdia</b>	This Edutech company has been operating for 3 to 5 years with a workforce of 11 to 20 employees. The platform facilitates remote or in-person connections between teachers and students in Cameroon and beyond. Parents seeking private tutors for specific subjects can sign up and submit requests, which are promptly matched with recommended tutors based on subject expertise and location. The company benefits from low operational costs but faces challenges with a shortage of skilled labor for technical operations. They have received substantial support from the community and government for advancing digital education in rural areas, aligning with government objectives. Their overall experience has met their expectations, leading to a neutral stance on recommending rural startups. Buoyed by received benefits and a positive outlook, the company plans to expand its rural presence with additional branches.
<b>COSDEF</b>	COSDEF (Community Sustainable Development and Entrepreneurial Foundation) Group is a dynamic African holding social enterprise with four impactful subsidiaries in Cameroon: The Center for Entrepreneurship, Leadership & Business Management Development (CELBMD) Africa, Wikajobs Career Management Firm, COSDEF Mobile Microfinance, and Skill Study. According to survey responses, a startup operating in the finance and banking sector has been active for 3 to 5 years with 7 to 16 employees. The primary motivation for starting in a rural area was to avoid intense urban competition, with limited infrastructure being the main challenge. The startup received community and government support, meeting their expectations. They recommended starting in low-cost, supportive rural areas and expressed a preference to continue operating in their current location, highlighting the benefits of rural entrepreneurship.
<b>CAMBOOK</b>	This distribution startup, the newest among four, employs 1 to 12 workers and was founded by students aiming to alleviate parents' stress in finding specific books for their children. The platform functions as an e-commerce site where students or parents can order any type of exercise or textbook, pay via mobile money, and receive home delivery. The startup chose a suburban location due to lower costs but faces delivery challenges due to poor road networks. Despite this, occasional support from the community and government has fostered optimism, prompting them to recommend rural startup establishments. They have experienced positive profitability trends and plan to expand locally.
<b>Iziway</b>	This distribution startup, the newest among four, employs 1 to 12 workers and was developed by a group of students aiming to alleviate the stress parents face in finding specific books for their children. Designed as an e-commerce platform, it allows students or their parents to order various exercise or textbooks, pay via mobile money, and receive doorstep delivery. The startup chose a suburban location due to lower costs, though it faces delivery challenges due to poor road infrastructure. Despite this, they have received occasional community and government support, fostering optimism. The startup has experienced a positive profitability trend and plans to expand its brand locally, strongly recommending rural areas for new startups.

From these examined responses, it is clear that these companies, despite the minimal challenges have had much positive and progressive growth experiences, which could not have been possible in the urban centers. Two of them have as major objective to minimize costs while the other two to reduce the level of competition. These 2 concepts constitute some of the major challenges of every business nowadays. The progress of a particular business in a specific sector will attract others to establish a similar good or service in order to enjoy a share of the prosperity emanating from the sector, thus forming the start of huge competition for whom will win a greater share of the market. In terms of costs, private sector has as main objective to

maximize profit and one way to do this is to reduce the cost of production as much as possible.

### Conclusion

**1. Balanced Regional Development and Economic Growth:** Promoting business ventures in rural areas is essential for achieving balanced regional development, a key governmental objective. By fostering industrial and commercial activity in these regions, economic equality can be enhanced, contributing to overall economic growth and improved living standards across the economy.

**2. Infrastructure as a Catalyst for Rural Industrialization:** The concentration of industries in urban centers is primarily driven by

superior infrastructure. To shift this trend, it is critical to develop similar infrastructure in rural areas. Improved transport networks, stable energy supply, and essential amenities in rural regions would encourage entrepreneurs to establish businesses there, benefiting from lower costs while enhancing rural prosperity.

**3. Socio-Economic and Environmental Benefits:** Encouraging business establishment in rural areas can lead to increased incomes, reduced unemployment, and improved living standards, while also mitigating urban congestion and pollution. By implementing infrastructure development, financial incentives, and tax concessions, governments can create a conducive environment for rural industrialization, leading to equitable wealth distribution and sustainable development.

### Recommendation

Considering the contributions from the respondents and the information extracted from various sources, it will be imperative to encourage more startups to initiate their maiden operations in the rural through the implementation of some measures:

1. Infrastructural advancement can motivate more startups to start businesses in rural areas and those from urban centers to relocate to the hinterlands. The main infrastructural elements that would ensure effective and smooth operations includes: good transport network, power and energy supply and provision of amenities which will serve as attractive tools towards rural entrepreneurial establishment.

2. The provision of financial incentives can equally contribute toward the urban-rural business relocation, as well new startups. Such incentives might take the forms of subsidies and grants to these entrepreneurs in order to boost the operational capacity of their business in the area. This will significantly aid in offsetting operational expenses and enhancing profitability.

3. Another important incentive is to grant tax incentives to the entrepreneurs. It should be noted that tax constitutes one of the biggest expenditures incurred by businesses. The situation is much worst in urban centers which is generally costly. Tax concessions could be offered, rendering such entrepreneurs to pay very low or considerate amounts of taxes, or in extreme cases to not pay taxes over a given period of time. This will serve as huge motivation for businesses to take advantage of and establish in rural settlements.

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