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## Linking Local Resources to SME Development. A Pathway Out Of Poverty?

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### Abstract

After decades of different approaches, most rural areas are still the poorest regions of their countries, struggling with a host of disadvantages compared to urban ones. One of the options discussed to bridge the inter-regional gap in a globalised world is the development of small scale enterprises (SMEs) in rural areas. Based on the use of local resources in terms of land, human and social capital as well as biodiversity, non-farm enterprises and off-farm activities are regarded as solutions to earn more, to spread the risk of household incomes, to accumulate capital, and to have a positive impact on regional development by providing employment and linking different sectors of the economy.

Yet the complex interrelationship of the agricultural and manufacturing sector in rural locations and towns is barely understood in its full scope of interdependent factors. This relationship is a market-related one and depends on the growth of both sectors. Research undertaken in 2005/beginning of 2006 indicated that the linkage potential fuelling regional economic development seems to be positively influenced by producing cash crops like sugar cane. At the same time, this raises questions of the long-term competitiveness of the related industry which subsequently affects the sustainability of agricultural income and thus the linkage potential.

In the rural context of Kakamega District, Kenya the issue of linkages between the farming sector and the development of small scale enterprises concerns not only the level of income that can be achieved through diversification of activities nor only the amount of investment necessary to start a venture or upgrade agricultural production. The potential for linkages to generate income is also influenced by the population growth rate, high dependency ratios, land scarcity, declining soil fertility, locational and institutional disadvantages arising out of infrastructural problems. In making references to a comparative study done in Kasama District, Zambia, possible patterns of regional development and pathways to strengthen inter-sectoral linkages emerge.

**Keywords:** Linkages, poverty reduction, regional development, SME development