

# The social dynamics of innovation for rural development



The idea that innovation is only for increased market shares and profits is widely held. How poor communities benefit from innovations as direct users but also as innovative actors in their own right is rarely discussed. *Peter Jacobs et al\** explore how people at the bottom of the rural socioeconomic pyramid might benefit from progress in science technology and innovation (STI), drawing on new evidence from rural South Africa.

**A**lmost all businesses innovate because their goal is to make the maximum amount of money for their owners. But immediate commercial gain is merely one of the reasons for this innovation. Many rural enterprises, for example, engage in innovation activities to increase the social and human wellbeing of people or for traditional commercial motives.

Invented goods, services and processes that trickle down to marginalised members of society are classified as social innovations. This is a new concept and a fixed definition of social innovation has not yet taken root. Direct participatory forms of local organisation of people to access services and goods and improve livelihoods receive virtually no attention in mainstream innovation literature. Moreover, local actors rarely call such new arrangements innovations.

Alternative ideas of how poor communities can benefit from innovation are becoming more widespread. These are often labelled bottom of the pyramid, below the radar, grassroots or inclusive innovation. What it means to develop new products and organisational arrangements that benefit people is highly contested and underexplored.

We investigated the main purpose of innovation and several factors associated with it. The study took place in four of the poorest rural district municipalities in South Africa. Among the 473 rural enterprises interviewed, 43% self-reported participation in innovation for direct improvement in social and human welfare compared to 57% who engaged in innovation activities first and foremost for increasing commercial opportunities.

**Non-profitable entities appeared to be more likely ... to innovate for betterment in people's living conditions.**

## Key insights

How does the primary purpose for innovation relate to the profiles of rural enterprises? Non-profitable entities appeared to be more likely than either private or public enterprises to innovate for betterment in people's living conditions. Other enterprise characteristics – like business tax registration status, registration with a formal business regulator, and output sales outside the boundaries of the municipality where the enterprise is located – also affected the main purposes for engaging in innovation activities.

Whether enterprises operated in the primary, secondary or tertiary sector also influenced whether innovation was for direct social and human wellbeing or not. Roughly 71% of suppliers of tertiary services innovated for this purpose against 41% that innovated for bigger market shares and profits.

The link between the purpose of innovation and a respondent's awareness or not of scholarly definitions of social innovation was puzzling. A surprisingly small share of enterprises self-reported an understanding of the meaning of social innovation, with slightly more than a quarter of respondents evidently innovating for social outcomes. By contrast, almost three-quarters innovated for social outcomes but did not know the meaning of social innovation.

## The primary reason why rural enterprises innovate is not restricted to enriching the owners.

Does government support for innovation prioritise innovations that directly benefit the rural poor? About two-thirds of responding enterprises that innovated for social

welfare enhancement stated that they were aware of state support for innovation. While a relatively smaller share of enterprises applied for government's innovation assistance, only 44.8% of applicants were innovating to broad-based societal benefit.

A total of 86% of visited enterprises participated in knowledge sharing networks and innovated for better social and human welfare. These enterprises participated mainly in formal innovation networks, with 77.8% of them pursuing socially oriented innovation involved in formal networks.

## Whether enterprises operated in the primary, secondary or tertiary sector influenced if innovation was for direct social and human wellbeing or not.

Table 1: Descriptive statistics: Social/Human Wellbeing Purpose of Innovation Activities, N=473

Variable Name	No =0 Yes =1	Commercial/ Profit=0 N=270	Social/Human Wellbeing=1 N=203	Total Valid Observations	Chi-2
Public Enterprises	0	91.85	63.55	377	57.39*
	1	8.15	36.45	96	
Private Enterprise	0	35.93	87.19	274	124.96*
	1	64.07	12.81	199	
Non-Profit Organisations	0	72.22	49.26	295	26.03*
	1	27.78	50.74	178	
Registered Legal Entity	0	11.11	5.42	41	4.74**
	1	88.89	94.58	432	
Business Tax Registered	0	23.7	25.62	116	0.23
	1	76.3	74.38	357	
Primary Sector	0	63.33	79.31	332	14.14*
	1	36.67	20.69	141	
Tertiary Services	0	58.89	29.06	218	41.48*
	1	41.11	70.94	255	
Local Market Output Distribution	0	61.85	85.71	341	32.79*
	1	38.15	14.29	132	
District Market Sales	0	61.11	67.98	303	2.37
	1	38.89	32.02	170	
Social Innovation Awareness	0	80.97	73.76	366	3.47**
	1	19.03	26.24	104	
Aware of Gov't Innovation Assist	0	43.7	32.51	184	6.11**
	1	56.3	67.49	289	
Applied for Government Innovation Support	0	70.74	55.17	303	12.19*
	1	29.26	44.83	170	
Knowledge Sharing Network Participant	0	34.07	13.79	120	25.17*
	1	65.93	86.21	353	
Formal Innovation Network	0	43.7	22.17	163	23.79*
	1	56.3	77.83	310	

Notes: This bivariate relationship is often described as a non-parametric method using Pearson Chi-2 testing the null hypothesis of no significant difference. Interviewed enterprises were 482, but only 473 enterprises remained with zero non-responses and missing information. Significance levels: 1% =\*; 5% =\*\*.

## Conclusion

In summary, the primary reason why rural enterprises innovate is not restricted to enriching the owners. Non-profit and public enterprises in rural South Africa who participate in formal innovation networks and get appropriate state support for innovation activities play leading roles in innovation for social and human welfare enhancement. Alongside the important conceptual and policy lessons that flow from our

findings is support for a broader mix of methodologies to study ways of harnessing innovation for equitable social change in rural areas. ■

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