



## **From Tradition to Innovation: The Pioneers of Mountain Entrepreneurship in the Lesser Caucasus**

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Source: Mountain Research and Development, 44(3)

Published By: International Mountain Society

URL: <https://doi.org/10.1659/mrd.2024.00006>

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# From Tradition to Innovation: The Pioneers of Mountain Entrepreneurship in the Lesser Caucasus

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In recent years, Georgia has witnessed a shift in its general policy orientation from agricultural to rural development, resulting in a transformation of household-based economic activities. Mountain areas have

emerged as key focal points for promoting innovative approaches and practices for various reasons, such as lacking access to markets, outmigration, climate change, and generally difficult contexts for small-scale entrepreneurship. Many households in remote areas have limited access to the necessary resources, making it difficult to take advantage of new opportunities and

benefits. This research focuses on pioneer entrepreneurial households in Khulo municipality in the Lesser Caucasus. The study's qualitative methodological approach allows a thorough examination of the topic, based on in-depth interviews in 2022 and 2023. We examine adaptation processes and the different forms of capital necessary to start a new business in the mountain environment, as well as motivations for starting a new business and challenges to maintaining economic activities.

**Keywords:** small-scale entrepreneurship; Lesser Caucasus; mountain community development; livelihood; community-driven initiatives.

**Received:** 30 January 2024 **Accepted:** 24 July 2024

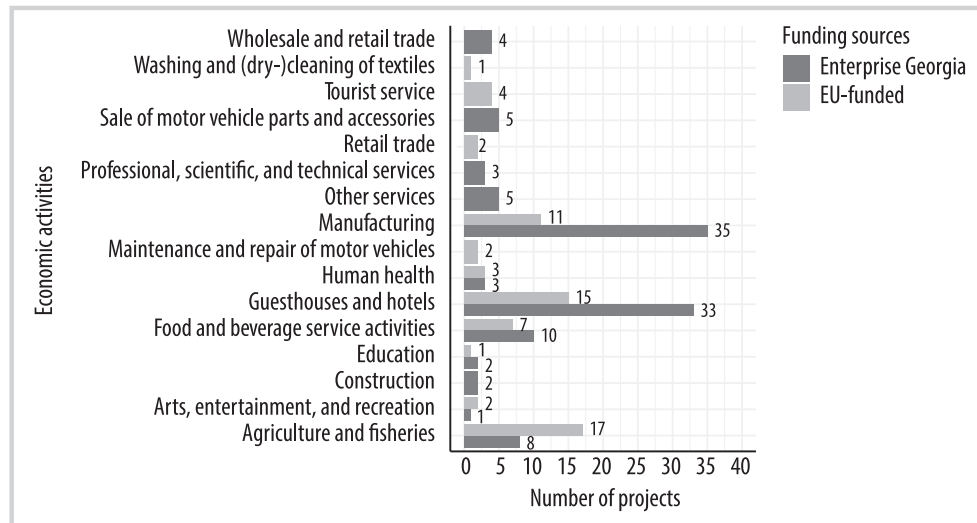
## Introduction: a new development paradigm for Georgia's mountain regions

Georgia, a mountainous country in the South Caucasus, is renowned for its outstanding mountain landscapes, which occupy approximately 73% of its territory (Matchavariani and Nikolaishvili 2015). After the dissolution of the Soviet Union, Georgia's highlands underwent significant transformation in the early 1990s (Gugushvili et al 2017). The country shifted from a centralized to a market-oriented economy, implementing liberalization and market-based reforms (Muskhelishvili 2011). Land reforms from 1992 to 1999 privatized more than 1 million hectares of state-owned agricultural lands, distributing them to rural households at no cost. Villages received up to 1.25 hectares of arable land, and highland cattle breeders were granted up to 5 hectares of pastureland. This resulted in nearly 1 million people becoming landowners, transitioning from collective to private ownership and causing land fragmentation. Notably, privatized agricultural land in Georgia is inheritable and transferable, enabling continued ownership across generations (Salukvadze 2008).

In recent years, Georgia has undergone a transition in its general policy orientation (Hodge and Midmore 2008), shifting the emphasis from agricultural to rural development. Various nonfarming activities have emerged in this context, significantly contributing to mountain settlements' economies and diversifying income sources for locals, thereby transforming

household-based economic activities (Paresishvili et al 2017). Mountain areas—because of challenges such as limited access to markets, outmigration, and climate change—have become a focus for national development strategies and are central to promoting innovative approaches in small-scale entrepreneurship (Gugushvili et al 2021).

In 2015, Georgia introduced its first law addressing challenges in high mountain regions, marking the beginning of systematic policy efforts in these areas. Simultaneously, the rural development strategies for 2017–2020 and 2021–2027 were primarily aimed at economic diversification and nonagricultural development (Ministry of Environmental Protection and Agriculture of Georgia 2022). In line with national development priorities, initiatives promoting small-scale entrepreneurship in mountain areas emphasize the fostering of local enterprises and empowerment for community-driven initiatives through support programs and capacity building for niche product development, leveraging unique natural and cultural assets (Khartishvili et al 2019). Financial support mechanisms, such as “Enterprise Georgia” and grants from the Ministry of Agriculture, aim to assist entrepreneurs and small businesses, promoting growth and sustainability. In addition to national funding, international support, especially from the European Union (EU) Local Action Groups (LAGs) organized within the framework of the EU-funded European Neighbourhood Program for Agriculture and Rural Development (ENPARD) project “ENPARD Khulo” (Chitaia et al 2020), implemented by Caritas Czech Republic,

**FIGURE 1** Community-based entrepreneurial initiatives financed in Khulo municipality (2017–2021). (Figure by Temur Gugushvili, own draft and data)

plays a vital role in supporting community-led initiatives (Figure 1). These diverse funds have not only boosted local economies but also preserved traditional knowledge and cultural heritage, fostering inclusive development (Kadagishvili 2018). The interplay of innovation and tradition in entrepreneurship is not specific to the Georgian context (Sapiro 2024). Traditional entrepreneurship relies on long-established practices for stability, providing a strong foundation of established knowledge and cultural heritage for entrepreneurs to build on, thereby supporting innovation. Innovative entrepreneurship focuses on new ideas and technology to capture new markets and drive profits (Mamedov et al 2016). However, Stettler and Mayer (2023) demonstrated that innovative entrepreneurship can also prioritize strengthening collaborations and enhancing the resilience of mountain economies without necessarily focusing on new technology or profit-driven growth.

In this article, for the first time for Georgia, we explore the area between innovation and tradition to examine how local people in the mountainous municipality of Khulo attempted to fill gaps by introducing previously unavailable but in-demand services or products. We analyze how these “pioneers” acquired different resources and knowledge to become successful in their respective business areas. Since mountain areas beyond Georgia face similar challenges, such as limited access to resources, geographic isolation, and vulnerability to environmental change (see Price 2004), and often also rely on funding schemes for economic development, the Khulo case also offers insights relevant to other contexts.

### Small-scale entrepreneurship empowers mountain households

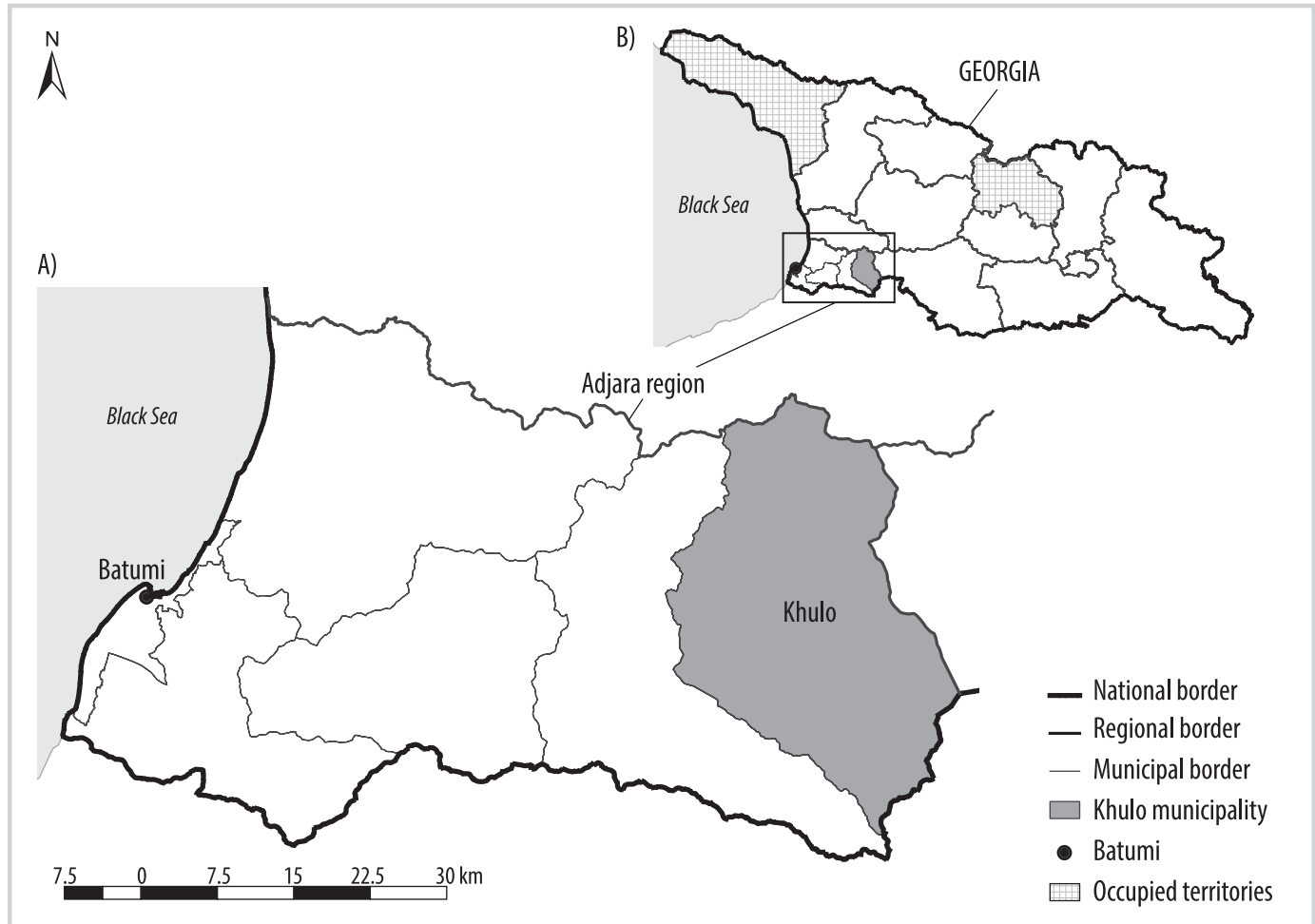
Natural resource-based primary sectors of the economy (ie agriculture and pastoralism, extractive industries), which have traditionally been the major driving forces for humans living in rural and mountain areas (Godde et al 2000; Perlik 2017), are no longer a panacea for rural development. In the past century, there has been a shift from a sectoral to a multisectoral approach in rural development, moving beyond a limited view of agriculture (Pan et al 2024). This paradigm shift emphasizes integrating nonfarming opportunities into the rural economy (Navarro et al 2016).

Such diversification is essential for the sustained development of rural and mountain areas, aligning with the achievement of the Sustainable Development Goals (OECD 2016).

Empirical evidence suggests that incorporating household-based economic diversification into rural development policies is crucial in settlements with limited economic opportunities (Gautam and Andersen 2016; del Olmo-García et al 2023). Such policies contribute to income growth, poverty alleviation, and a reduction in rural–urban migration (Sohns and Revilla Diez 2017), with a focus on accelerating entrepreneurship and self-employment (Robinson et al 2004). In mountain areas, promoting small-scale entrepreneurship is essential for economic diversification, resilience, and sustainable development (Nicula et al 2023). It also addresses outmigration, creates local employment opportunities, and preserves the cultural fabric and traditional knowledge unique to these communities (Gugushvili et al 2021). Additionally, gender-sensitive community-based initiatives ensure equitable and sustainable impacts of value chain promotion and entrepreneurship (Gurung et al 2015).

In the scientific literature, extensive research has explored various types of capital, including financial, natural, social, cultural, and experiential, examining their intricate interplay and impact on entrepreneurial success and sustainable economic development (Adhikari et al 2018; Müller and Korsgaard 2018; Boudreaux and Nikolaev 2019). Accordingly, financial capital influences resource availability, natural capital shapes the environmental context, and cultural capital contributes to social dynamics (Dutta and Sobel 2018; Manta 2023). Furthermore, human capital encompasses the knowledge, skills, and expertise possessed by individuals, constituting a cornerstone in the entrepreneurial journey (Murray and Palladino 2020; Habib et al 2023). Equally vital is experiential learning, a valuable form of capital acquired through first-hand experiences. This helps entrepreneurs to develop solution-oriented approaches and strategic thinking, contributing to personal growth and the transformation of grassroots initiatives into successful ventures (Motta and Galina 2023; Taneja et al 2023). Additionally, social capital plays a pivotal role in entrepreneurship, emphasizing the importance of interpersonal relationships, networks, and

**FIGURE 2** Location of Khulo Municipality in (A) Adjara region and (B) Georgia. (Map by Temur Gugushvili)



community support (Roxas and Azmat 2014; Madriz et al 2018). A comprehensive understanding of these capital dimensions is instrumental in formulating effective strategies, policies, and interventions to foster entrepreneurship and enhance the economic landscape in various contexts.

Recent studies in rural and mountain areas, such as those by Khelashvili (2022), Khokhobaia and Gugushvili (2021), and Salukvadze and Backhaus (2020), explore shifts such as rapid tourism development and changes in agriculture dominance. While providing insights into the evolving economic landscape, they offer limited detail on small-scale entrepreneurial households. There is little exploration of the diverse forms of capital needed for businesses in these regions (Gugushvili et al 2017; Heiny et al 2017; Hüller et al 2017).

### Research design and methodology

A case study was conducted in 2022 and 2023 in the highland community of Khulo municipality ( $41^{\circ}37'44.4''\text{N}$ ,  $42^{\circ}18'39.6''\text{E}$ ) within the Adjara region of the Lesser Caucasus, located in western Georgia (Figure 2). In the Soviet Union era, Khulo was actively involved in various agricultural practices, including viticulture and tobacco cultivation, the latter significantly contributing to the local economy (UNDP 2020). Currently, Khulo maintains an agricultural profile, with residents mainly cultivating crops such as potatoes, corn,

beans, and vegetables. Nomadic livestock farming and viticulture traditions persist. Because of limited local employment opportunities, a significant portion of the population actively seeks work in other cities, primarily Batumi, the nearest major city (Putkaradze and Abuselidze 2022).

Khulo was chosen because of changes in rural development, including the establishment of the EU LEADER program (the acronym standing for the French *Liaison Entre Actions de Développement de l'Economie Rurale*, which translates as “links between actions for the development of the rural economy”) (Hoffmann and Hoffmann 2018), approach-based LAGs, support programs for household-based economic activities, and early signs of tourism development. We decided to employ the sustainable livelihoods concept (Chambers and Conway 1992) as a theoretical foundation that focuses on understanding how households secure their necessities through various means and resources by examining different forms of capital. Based on this, we gained insights into how households utilize their resources to sustain livelihoods, adapt to challenges, and pursue entrepreneurial activities. While the framing and discussion of capital may not be novel in the literature on other countries, it is a new approach for Georgia. We conducted 30 semistructured in-depth interviews (Flick 2022) with local households in several villages, engaging in diverse economic activities. The duration of each interview

**TABLE 1** Respondent profiles by demographic and socioeconomic characteristics.

No.	Interview date	Gender	Town/village	Economic activity	Funding source
1	July 2023	Male	Didachara	Rose nursery	LAG
2	July 2023	Female	Elelidzeebi	Confectionery business	LAG
3	July 2023	Male	Ganakhleba	Winery business	LAG
4	August 2022	Female	Khulo	Aesthetics center	LAG
5	July 2023	Male	Khulo	Manufacturing (printing service)	Enterprise Georgia
6	August 2022	Female	Dekanashvilebi	Guesthouses and hotels	LAG
7	August 2022	Female	Tikhiladziri	Guesthouses and hotels	Enterprise Georgia
8	July 2023	Male	Khiladziri	Manufacturing	LAG
9	August 2022	Male	Dekanashvilebi	Guesthouses and hotels	LAG
10	August 2022	Male	Dioknisi	Agriculture and fisheries (cultivation and realization of raspberry and blackberry)	LAG
11	August 2022	Female	Dioknisi	Construction bricks	LAG
12	July 2023	Female	Beshumi	Food service (fast food)	LAG
13	July 2023	Female	Khiladziri	Manufacturing (clothing production)	Enterprise Georgia
14	July 2023	Female	Vashlovani	Guesthouses and hotels	LAG
15	July 2023	Male	Ghorjomi	Agriculture and fisheries	Enterprise Georgia
16	July 2023	Female	Dekanashvilebi	Guesthouses and hotels	LAG
17	July 2023	Male	Dekanashvilebi	Beer brewery	LAG
18	July 2023	Male	Kinchauri	Guesthouses and hotels	Enterprise Georgia
19	July 2023	Male	Khulo	Guesthouses and hotels	LAG
20	July 2023	Male	Khulo	Agriculture and fisheries (purchase of agricultural equipment)	LAG
21	July 2023	Female	Qedlebi	Guesthouses and hotels	Enterprise Georgia
22	July 2023	Female	Dioknisi	Equip the guesthouse with mini bar, tennis table, and billiard room	LAG
23	August 2022	Female	Ghorjomi	Sewing atelier	LAG
24	August 2022	Male	Kortokhi	Agriculture and fisheries	Enterprise Georgia
25	July 2023	Male	Didajara	Iron workshop	LAG
26	July 2023	Male	Dekanashvilebi	Manufacture of beverages (wine cellar and wine making)	LAG
27	July 2023	Male	Qedlebi	Professional, scientific, and technical services	Enterprise Georgia
28	August 2022	Female	Khulo	Food service (equip café-canteen)	LAG
29	July 2023	Male	Khulo	Ice-cream service	LAG
30	August 2022	Female	Dioknisi	Construction bricks	LAG

Note: LAG, local action group.

averaged 40 minutes. The selection process for interviewees for this study involved a combination of criterion sampling and the maximal variation approach to purposive sampling, as guided by Patton (2015). Based on criterion sampling, households were systematically selected as beneficiaries of grant programs such as Enterprise Georgia and LAG funding. The selection was based on predefined criteria, such as geographic location and current engagement in economic activities that aligned with the

study's goals (eg tourism, agriculture, small-scale entrepreneurship). Interviews were then conducted with those engaged in these economic activities. Simultaneously, the maximal variation approach ensured a diverse array of perspectives by including participants with varied backgrounds and experiences (see Table 1). Ethnographic research in several villages captured various voices, experiences, and opinions. We analyzed the interview data using a thematic analysis method

(Silver and Lewins 2014) and the qualitative data analysis software MAXQDA (Kuckartz and Rädiker 2019). A coding frame was developed based on the capital types researched. The main categories (*financial, human, social, physical, and natural capitals; grant acquisition; challenges and needs for growth*) and related codes (*grant impact on business; capitals used for the business; capitals possessed before and after establishing the business; business challenges and gaps in resources*) were predefined in MAXQDA before the coding, while additional codes (*services in demand, previous experience, back-migration, grant regulations*) were established during the coding phase.

## Results

### The role of the local context for pioneering economic initiatives

Respondents emphasized a notable rise in funding sources since 2018, especially from the EU (approximately €3 million funding 65 projects), facilitated through the establishment of LAGs and Enterprise Georgia (around €2 million funding 111 projects). This development is significant, providing residents with opportunities to launch economic activities and generate income for themselves and their families. Some sought to revive overlooked traditions, such as opening a winery, whereas others addressed the absence of specific services, leading to entirely new activities such as an aesthetics center, a confectionery business, printing services, a rose nursery, or a sewing workshop. These locals, previously consumers of such services, had been compelled to seek them in Batumi. Accordingly, these examples highlight the emergence of entrepreneurial initiatives in response to unmet local demands. Meanwhile, Khulo has emerged as a focal point for initiating new economic activities, drawing people from surrounding municipalities who now prefer to access services in Khulo rather than traveling to Batumi. Additionally, respondents expressed satisfaction in making prudent choices for launching or expanding economic activities, indicating alignment with local needs. An important finding lies in the determination and resilience of our interviewees, evident in their perseverance through initial challenges and commitment to their entrepreneurial ideas until they succeeded in securing financing. Despite obstacles, they persisted with the same concepts, reapplying for grants and exploring different schemes.

*I didn't want to give up on my idea. I tried everything until the end because I believed that someone would recognize the value of it.*

(Man, age 45, agriculture, Dzirkvadzebi, Khulo)

In other cases, respondents chose to shift toward more in-demand economic activities. Learning from mistakes is a recurring theme in the fieldwork data, which exemplifies the dynamic nature of entrepreneurship. Respondents who encountered initial challenges utilized these setbacks as learning opportunities.

The success of local entrepreneurs and business prospects prompted respondents who had previously outmigrated to return to Khulo. Some of these individuals, primarily young residents who had temporarily left for educational or employment purposes in other cities such as Batumi or Tbilisi, were inspired to start their businesses upon observing the influx of funding into the municipality. They initiated their activities using family funds or secured grants, and the successful outcomes encouraged them to remain in Khulo.

### The role of different forms of capital for pioneering

*Capitals owned by households:* From the collected responses, several respondents noted that, when starting new economic initiatives, they used real estate (eg farmland) passed down through their family that is now under their ownership. In such cases, respondents underscored a substantial advantage, namely, the exemption from land-purchasing expenses. This exemption affords them an increased yield of benefits from their business.

*Regarding the store, confectionery, and mini café, we have our registered land, and we have not faced any financial issues in that aspect. We own the land and we do not pay anything.*

(Woman, age 39, confectionery business, Elelidzebi, Khulo)

Another group of respondents initiated businesses by acquiring new property, for purposes such as agriculture, tourism, and retail ventures. The diverse approaches of utilizing family inheritance, purchasing new land, or a combination of both showcase the varied strategies employed in the initiation phase of their entrepreneurial endeavors.

*I plan to expand these cottages further, maybe even add a restaurant and pool. Our family owns the land, so I have the option to expand.*

(Man, age 38, tourism business, Qedlebi, Khulo)

Some respondents found inspiration from family experiences and ancestral entrepreneurial pursuits, reviving traditional practices such as winemaking or beekeeping. This not only preserves cultural heritage but also showcases a unique cultural know-how in business.

*I rely on our family's generational knowledge of grape cultivation. Our vineyards are on our family's land. With grants, I expanded a small cellar, now a primary source of income involving almost everyone in my family.*

(Man, age 80, winery business, Ganakhleba, Khulo)

*Access to financing:* The respondents revealed 3 primary sources of financial capital driving their economic initiatives within the municipality. First, substantial reliance was placed on grants secured from the EU and various European countries, specifically allocated to rural development programs. These grants played a crucial role in initiating and advancing diverse business projects, providing the necessary resources and sustainable practices essential for fostering economic growth in the region. Several respondents noted that they received not just one but multiple grants over the years, from both international and local sources. As they highlighted, this combination of grants played a crucial role in building and developing their ideas into profitable businesses over time.

*Since 2017, I've been writing projects for the Khulo LAG. Gradually, I learned how to do it. After winning my first project, I never stopped. Over about 4 years, I have won grants of 1,100,000 GEL [equivalent to US\$ 380,000].*

(Man, age 28, rose nursery, Didachara, Khulo)

Second, respondents accessed financial capital through cofinancing or loans from banking institutions. Despite the responsibility of repayment, bank loans were instrumental in securing additional funds for larger-scale projects, business expansion, and overcoming unforeseen challenges. The strategic use of loans complemented other financial sources, contributing to a multifaceted approach to funding their economic initiatives. Third, a significant source of

capital involved continuous reinvestment within households. Respondents strategically channeled profits and resources generated from existing economic activities back into their initiatives. This self-sustaining practice allowed for ongoing expansion, improved infrastructure, and the gradual diversification of economic activities.

*We required additional finances. As I already mentioned, I borrowed money from my family. We had a large animal shelter with 30 cattle, and in consultation with my family, I sold the animals. I then invested the entire proceeds in roses.*

(Man, age 28, rose nursery, Didadchara, Khulo)

**Social capital:** Certain respondents initiating previously inaccessible activities in Khulo had valuable social connections that significantly contributed to their success. In some cases, direct interactions with beneficiaries of grant programs provided valuable advice on obtaining grants at different stages. Social connections played a pivotal role in sharing practical experiences related to specific economic activities, enabling respondents to translate this advice into actionable steps in launching their desired initiatives. As an illustration, one respondent seeking to establish a Dutch rose nursery used social connections to acquire insights into various gardening techniques from a botanical garden.

**Experiential capital:** In our study, respondents' choice of economic activity was, in some cases, influenced by personal expertise or family members' knowledge in a specific field. Those initiating economic ventures either had first-hand experience or relied on family members with expertise. For instance, the individual launching a printing service gained experience in a Tbilisi printing house, and the establishment of a retail store in Khulo was driven by a family member's consultancy experience in Batumi. Experiential capital also proved crucial in overcoming initial challenges or business failures. One respondent faced setbacks when establishing a canteen in the municipality center, ultimately closing it down. Instead, they opened a retail shop, leveraging their prior experience in securing financial support in the retail sector and understanding the municipality's demand. The shop is currently operational, yielding profits, with all household members employed there.

Notably, our respondents faced various challenges that impeded the development of entrepreneurial activities. A significant challenge faced by local women in entrepreneurship lies in the criteria of funding schemes, which often stipulate that the applicant must be the owner of the property, house, or land where the economic activity is intended to occur. In mountainous Georgia, a prevailing tradition sees real estate inheritance predominantly favoring men, perpetuating a gender-based disparity where the property is passed down to male descendants. This cultural practice has implications for women's access to land and property ownership in these areas. This requirement, therefore, poses a considerable hurdle for female entrepreneurs, hindering their ability to access financial support for their entrepreneurial endeavors.

*Due to the grant regulations, I needed to take ownership of the first floor of our house. My father-in-law didn't hesitate to transfer it to me. I feel lucky in my family, knowing that this doesn't happen everywhere.*

(Woman, age 47, sewing workshop, Ghorjomi, Khulo)

Another considerable challenge revolves around the accessibility of materials and equipment essential for operating the business. Respondents indicated that they often purchase or order these necessary materials from urban centers such as Tbilisi and Batumi. Alternatively, there are instances where the size of the business poses constraints, impeding their ability to readily access these materials.

*We cannot get materials for printers . . . If you are not a big printing house, for example, in Tbilisi, you won't be able to find the materials . . . What can I do? I am using papers that are not recommended . . . specific paper is not available.*

(Man, age 28, printing service, Khulo district, Khulo)

Limited availability and challenging supply operations incur significant additional costs. Ordering supplies from Batumi leads to extra expenses and time constraints, impacting operational efficiency and potentially causing loss of clients and missed business opportunities. In addition, new businesses in rural areas such as Khulo face challenges beyond a lack of operative supply chains, including a deficiency in professional human capital. Respondents noted that the scarcity of skilled individuals hampers operational efficiency and constrains local economic growth. However, most staff in local businesses have undergone training and certification processes to gain the necessary skills and qualifications.

*Finding specialists was a significant challenge. I invited specialists from Tbilisi who came to Khulo and provided training to local women. These individuals then pursued additional courses in Batumi, successfully passed exams, and now they have become skilled specialists.*

(Woman, age 41, aesthetics center, Khulo district, Khulo)

## Discussion

Entrepreneurship depends on specific capital within rural settings, creating value for both entrepreneurs and the local community (Pato and Teixeira 2018). Shane (2009) criticizes support for entrepreneurship as poor public policy, claiming it often leads to low-value, low-growth ventures. In contrast, our study shows that such entrepreneurship fosters economic independence and, in some cases, encourages back-migration to mountain regions. Our study reveals the fundraising challenges entrepreneurs encounter in the early stages, leading to a dependence on personal savings and family contributions. This parallels the findings of Banki and Ismail (2015) and Cosh et al (2009), highlighting that entrepreneurs commonly resort to personal savings and family support initially because of difficulties in raising funds. In this context, reliance on the inheritance of household land or real estate assets plays a crucial role. Contrary to findings by Figueroa-Domecq et al (2022) that women participate less and are less successful in obtaining grants, our research highlights the significant interest and success of female respondents in grant applications. However, gender-related challenges surfaced, as some grant schemes necessitate property ownership for economic activities. Our findings indicate a prevalent trend of real estate inheritance favoring male family members. In line with the insights of Abban et al (2013), our study affirms the positive association between human and social capital in entrepreneurial business development, serving as a wealth reservoir that enhances overall performance. Echoing the

emphasis of Ataei et al (2020) on human capital in entrepreneurship and the call by Gurung et al (2015) for targeted business-oriented education, our study highlights the impact of the absence of skilled individuals on business success, affecting operational efficiency, local economic growth, and employment potential. However, we did not investigate cases where businesses failed, missing an analysis of those who attempted to start a business but were unsuccessful, which might have revealed additional gaps.

Gender-sensitive challenges are also recognized, urging consideration of training for gender equality in entrepreneurship. Contrary to Kudla and Myronov's (2022) emphasis on tourism as the primary driver of nonagricultural entrepreneurship in rural areas, our research unveils a diversified economic landscape. Our findings align with studies recognizing rural entrepreneurship advancement tied to the provision of "new goods and services" (Andersson et al 2009). Yet limitations of the study include the focus on business cases without an examination of their actual performance metrics, such as profits, which limits our understanding of their sustainability.

## Conclusion

Khulo municipality experienced an economic transition from predominantly agricultural production during the Soviet era to the current mix of different agricultural practices and a younger, diverse entrepreneurial ecosystem. The lack of certain services in the municipality motivated new entrepreneurs to start businesses that cover these needs. Khulo is an example where economic innovation led to back-migration to the rural area, which strengthens the availability of different capitals needed for the establishment and maintenance of successful businesses. The interplay of capitals is key to establishing sustainable structures for rural economic development. Although a mix of available (international) funding, family inheritances, and loans might, at first glance, seem the main enabler of pioneering entrepreneurial endeavors, the Khulo example shows how experiential and social capital are crucial to the acquisition of grants. For example, experiential capital, derived from personal expertise or family knowledge, can influence the choice of economic activity and contribute to overcoming initial challenges. Moreover, social capital in activating one's network to learn how to apply for grants or acquire local knowledge is deeply entangled with the financial success of a business. This suggests that social and experiential capital can be transformed into financial capital when utilized effectively in the entrepreneurial context.

Although we see a dynamic interplay of capitals in the Khulo case, leading to successful entrepreneurial endeavors, 2 main challenges remain. First, existing funding scheme policies are often discriminatory toward people without property, who are traditionally mostly women. This underscores the need for inclusive policies that aim at dismantling such injustices, empowering women in entrepreneurship, and ensuring equal access to economic opportunities. Second, where human capital is low, grants are less accessible, especially regarding the application process. We see added value in targeted and easily available business-oriented education, if possible within the local network, to combat the local lack of human capital and to ensure more justice in grant programs. Increasing human

capital may also mitigate some of the supply chain challenges described by our respondents.

In conclusion, Khulo has witnessed a substantial influx of external grants, leading to a significant transformation in its local economic landscape and creating previously unavailable services. The success of these activities directly impacts multiple households, holding significant importance for them individually by mitigating the necessity for migration to urban areas or other settlements for employment, but also regarding community cohesion or strengthening of local heritage. The study results contribute to understanding rural development by illustrating how mountain communities, such as Khulo, can diversify economic activities, reshape perspectives, and adapt to local demands when they have access to the right forms of capital, including funding. The findings also highlight the existing gaps in accessing financial opportunities for residents. Addressing these gaps is crucial for further enhancing Khulo's rural development. Given the results, these findings could serve as groundwork for further research on how regional policies influence entrepreneurial outcomes and how necessary capital can be strengthened to ensure equal access to rural development opportunities.

## ACKNOWLEDGMENTS

This work was supported by the Shota Rustaveli National Science Foundation of Georgia (SRNSFG) (FR-21-907). We express our appreciation to our respondents who generously shared their time, enthusiasm, and trust, offering us valuable and detailed information. Our sincere thanks go to the Faculty of Social and Political Sciences at Tbilisi State University for their generous support.

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