

ROLE OF RURAL ENTREPRENEURSHIP FOR THE DEVELOPMENT OF INDIA

Vasya Naik B

Assistant Professor

Department of Economics, Government First Grade College, Ayanur, Shimoga

ABSTRACT

The economic development of our country largely depends on the development of rural areas and the standard of living of its rural mass. Rural entrepreneur is one of the most important inputs in the economic development of a country and of regions within the country.

Rural entrepreneur uses the scarce resources in the most efficient manner thereby increasing profits and decreasing costs rural entrepreneurship.

On the contrary it is also a fact that the majority of rural entrepreneurs are facing many problems due to not availability of primary facilities in rural areas of developing country like India. Lack of education, financial problems, and insufficient technical and conceptual ability limited purchasing power and competition from urban entrepreneurs. It is too difficult for the rural entrepreneurs to establish industries in the rural areas. Promotion of rural entrepreneurship is a key to develop rural areas and backward towns.

This paper makes an attempt on the identification of various problems associated with rural entrepreneurship. It also focuses on the major problems faced by rural entrepreneurs mainly in the fields of Marketing of products, financial facilities and other primary facilities, i.e. availability of electricity, water supply, transport facilities and required energy etc.

Keywords: Rural Entrepreneurship, Rural entrepreneur, Economic development, Purchasing power challenges, and Problems.

INTRODUCTION

Entrepreneurship plays an important role in rural development. Agriculture continues to be the back bone of rural society. 70 per cent of holdings are held by small and marginal farmers resulting in overcrowding on the agricultural land and diminishing farm produce. This results in migration of farm worker in large numbers to the urban areas. Land being limited and unable to absorb the labour force in agriculture, there is a need to develop rural industries to solve rural unemployment and rural migration to cities. Growth and development of rural economy is an essential pre-condition to the development of the country as a whole. The gap between rural urban disparities should be lessened. The standard of living of the rural people should be increased. Entrepreneurship in rural sector provides an answer to the above problems.

The Make in India Strategy adopted by the Prime Minister Shri Narendra Modi aims to facilitate investment, foster innovation, entrepreneurship, enhance skill development in the country. Mahatma Gandhi has rightly pointed out that "India lives in villages". Villages comprise the core of Indian society and represent the real India. Rural entrepreneurs are those who carry out entrepreneurial activities by establishing industrial and business units in the rural sector of the economy. In other words, establishing industrial and business units in the rural areas refers to rural entrepreneurship.

Majority of the population still lives in rural India and the large chunk of population in urban areas still live through the learning of a village life. For the strength of the country there is a necessity to develop the villages. Development of a country is a choice loaded on its people, whether urban or rural. It is individuals who shape up a society and decide its progress and performance. Urban and rural are two sides of the same coin of economic development. While the urban sector has witnessed phenomenal growth and development, fuelled by the post-independence era of industrialization, the rural sector saw little corporate growth.

OBJECTIVES OF THE STUDY

1. To review past literature related to rural entrepreneurship in India
2. To know the scope, characteristics & types of rural entrepreneurship
3. To know Government Schemes & Policy for rural entrepreneurship in India
4. To study the role of rural entrepreneurs in economic development
5. To study effects of Globalization on Rural Entrepreneurship
6. To study the problems and challenges faced by the rural entrepreneurs
7. To provide suggestions for development of rural entrepreneurship

METHODOLOGY

This study is based on secondary data. The data is collected from books, journals and websites.

ENTREPRENEURSHIP

The activity of setting up of a business or businesses, taking on financial risks in the hope of profit is called entrepreneurship

ENTREPRENEUR

An entrepreneur is a person who either creates new combinations of production factors such as new methods of production, new products, new markets, finds new sources of supply and new organizational forms or as a person who is willing to take risks or a person who by exploiting market opportunities, eliminates disequilibrium between aggregate supply and aggregate demand or as one who owns and operates a business.

RURAL ENTREPRENEURSHIP

Rural entrepreneurship implies entrepreneurship emerging in rural areas. In other words establishing industries in rural areas refers to rural entrepreneurship.

Rural entrepreneurship is a process which introduces new things in the economy.

BENEFITS OF RURAL ENTREPRENEURSHIP

- ❖ Rural entrepreneurship provides additional employment opportunities, raise production and improve economic conditions in rural areas.
- ❖ They are labour-intensive in terms of providing additional employment to men and women. They ensure decentralisation of economic power and elimination of monopolistic exploitation.
- ❖ Decentralised production through network of well-knit rural industries obviates the necessity of complicated managerial and competitive marketing techniques, thus reducing the costs on account of overheads.
- ❖ Rural entrepreneurship leads to the development of rural areas thereby lessening the disproportionate growth in large cities, reducing the growth of slums, social tensions, exploitation and environmental pollution.
- ❖ Rural entrepreneurship will strive to build up village republics and human resources development.
- ❖ Rural entrepreneurship provides ample scope for the promotion of artistic achievement and creativity that has been suppressed in rural areas.

RURAL ENTREPRENEUR HAS THE FOLLOWING ESSENTIAL CHARACTERISTICS

1. Labor intensive

2. Use of traditional skill
3. Less Capital Investment
4. Decentralized Production
5. Use of local raw material.

(i) Labor Intensive:

Rural industries are labor intensive because they give more employment of labor than machines. Rural entrepreneurs are generally labor intensive because they give much stress on human capital.

(ii) Use of traditional Skill:

Rural entrepreneurs give much emphasis on use of traditional skill during the course of production. They have no capacity to apply modern skill and technology in their industry.

(iii) Less Capital:

Rural entrepreneurs generally invest less capital to produce goods and commodities in their industry. As they have no capacity to afford for much capital investment, they emphasize on less capital investment.

(iv) Decentralized Production:

As rural industries are scattered and operated in a small scale, it encourages decentralized production.

(v) Use of Local Raw Materials:

Rural entrepreneurs make better use of local raw materials during the course of production. They usually make better and effective use of local raw materials because its transportation cost is less.

CHARACTERISTICS OF RURAL ENTREPRENEURSHIP

The characteristics of rural entrepreneur are:

Risk taking ability, Self-confidence, Decision making ability, Knowledge of growing technology, Economic motivation, Market orientation, firm condition of experience. Ability of co-ordination related activities, Achievement, Motivation, etc. indicators are behaviour of entrepreneurial activities.

ENTREPRENEURIAL PROCESS

It consists of the following stages:

1. Idea Generation: To generate an idea, the entrepreneurial process has to pass through three stages:

a. Germination: This is like seeding process, not like planting seed. It is more like the natural seeding. Most creative ideas can be linked to an individual's interest or curiosity about a specific problem or area of study.

b. Preparation: Once the seed of interest curiosity has taken the shape of a focused idea, creative people start a search for answers to the problems. Inventors will go on for setting up laboratories; designers will think of engineering new product ideas and marketers will study consumer buying habits.

c. Incubation:

This is a stage where the entrepreneurial process enters the subconscious intellectualization. The sub-conscious mind joins the unrelated ideas so as to find a resolution.

2. Feasibility study:

Feasibility study is done to see if the idea can be commercially viable. It passes through two steps:

a. Illumination: After the generation of idea, this is the stage when the idea is thought of as a realistic creation. The stage of idea blossoming is critical because ideas by themselves have no meaning.

b. Verification: This is the last thing to verify the idea as realistic and useful for application. Verification is concerned about practicality to implement an idea and explore its usefulness to the society and the entrepreneur.

Types of Rural Entrepreneurship:

1. **Individual Entrepreneurship** - It is basically single ownership of the enterprise.
2. **Group Entrepreneurship** - It mainly covers partnership, private limited company and public limited company.
3. **Cluster Formation Entrepreneurship** - It covers NGOs, VOs, CBOs, SHGs and even networking of these groups. These also cover formal and non-formal association of a group of individuals on the basis of caste, occupation, income, etc.
4. **Cooperative Entrepreneurship** - It is an autonomous association of persons united voluntarily for a common objective.

Types of Rural Industries: All the village industries come under the following broad categories:

1. **Agro Based Industries:** Sugar industries, Jaggery, Oil processing from oil seeds, Pickles, Fruit juice, Spices, Dairy products etc.
2. **Forest Based Industries:** Wood products, Bamboo products, Honey, Coir industry, making eating plates from leaves.
3. **Mineral based industry:** Stone crushing, Cement industries, Red oxide making, wall coating powders etc.
4. **Textile Industry:** Spinning, Weaving, Colouring and Bleaching.
5. **Engineering and Services:** Tractors and Pump set repairs etc. Small and medium sized industries to produce agricultural machinery, equipment for usage in rural areas etc.
6. **Handicrafts:** These include making of wooden or bamboo handicrafts that are local to that area, traditional decorative products, toys and all other forms of handicrafts typical to the region.
7. **Services:** There are a wide range of services including mobile repair, agriculture machinery servicing, etc which are being undertaken under this category.

ROLES OF RURAL ENTREPRENEURS IN ECONOMIC DEVELOPMENT

The entrepreneurs with their ability to scan, analyze and identify opportunities in the environment transform them into business proposition through creation of economic entities.

According to Joseph Schumpeter, the rate of economic progress of a nation depends upon its rate of innovation which in turn depends on rate of increase in the entrepreneurial talent in the population.

According to Meir and Baldwin, development does not occur spontaneously as a natural consequence when economic conditions in some sense are right.

- **Formation of Capital**
- **Balanced Regional Development**
- **General Employment**
- **Improvement in Standard of Living**
- **Increase in per Capita Income**
- **National Self-reliance**
- **Planned Production**

➤ **Equitable Distribution Economic Power**

Thus, the entrepreneurs are key to the creation of new enterprises that energize the economy and rejuvenate the established enterprises that make up the economic structure.

Benefits from Rural Entrepreneurship

- **Provide employment opportunities:** Rural entrepreneurship is labor intensive and provides a clear solution to the growing problem of unemployment. Development of industrial units in rural areas through rural entrepreneurship has high potential for employment generation and income creation.
- **Check on migration of rural population:** Rural entrepreneurship can fill the big gap and disparities in income rural and urban people. Rural entrepreneurship will bring in or develop infrastructural facilities like power, roads, bridges etc. It can help to check the migration of people from rural to urban areas in search of jobs.
- **Balanced regional growth:** Rural entrepreneurship can dispel the concentration of industrial units in urban areas and promote regional development in a balanced way.
- **Promotion of artistic activities:** The age-old rich heritage of rural India is preserved by protecting and promoting art and handicrafts through rural entrepreneurship.
- **Check on social problems:** The growth of rural entrepreneurship can reduce the social problems like poverty, growth of slums, pollution in cities etc.
- **Awaken the rural youth:** Rural entrepreneurship can awaken the rural youth and expose them to various avenues to adopt entrepreneurship and promote it as a career.
- **Improved standard of living:** Rural entrepreneurship will also increase the literacy rate of rural population. Their education and self-employment will prosper the community, thus increasing their standard of living.

EFFECTS OF GLOBALIZATION ON RURAL ENTREPRENEURSHIP

It is very difficult to establish causal linkages, or to quantify the specific effects of globalization on rural entrepreneurship. However, it is possible to broadly identify some advantages and disadvantages of globalization on rural entrepreneurship in India.

Advantages:

1. **Economies of Scale and Scope:** Due to the access to global markets, abilities to specialize, and to take advantages of economies of scale and scope.
2. **Exposure to the global competition** can result in high levels of productivity and efficiency.
3. **Improved access** to foreign technology and managerial expertise.
4. **Accelerates economic growth:** There are different opinions concerning the connection between trade openness and rural entrepreneurship growth.
5. **Effect of globalization on rural enterprises** depends upon the changes in GDP and changes in income distribution. The evidence suggests that the rural entrepreneur overall are substantially included as beneficiaries from economic growth. However, the extent of inclusion varies internationally.
6. **Transfer of technology** is one of the prominent features of globalization and one of the major reasons for predicting improved growth. Many formerly small rural entrepreneurs saw major improvements in their businesses, but the improvements were in a very limited area and to a very limited number of entrepreneurs.

Disadvantages:

1. **Endangered the existence of rural entrepreneurs and survival of rural industries:** Due to liberalization, privatization and globalization cheaper and better quality goods were available than the local goods. They started challenging the rural industries. Further, with the introduction of Special Economic Zones (SEZs), the MNCs were facilitated with areas with liberal economic and trade laws, concessions to enhance foreign investments and promote exports. This endangered the existence of rural entrepreneurs and survival of rural industries.
2. **Lack of access to the technologies and market information.**
3. **They rarely have access to credit and the other financial services** necessary to compete in the modern world.
4. **They face high transportation and input costs that further reduce their ability to compete.**
5. **Many rural entrepreneurs, especially women rural entrepreneurs are hampered from benefiting from the changes arising from globalization.** They have less access than men to education and training, less time to devote to productive activities, less command over important resources such as land, credit and capital.
6. **Insecurity:** Globalization is linked to increased specialization, but this, for all its advantages, increases risks for rural entrepreneurs by pushing them to 'play all their cards'. These factors are further compounded by the transformational and insecurity effect due to volatile environment like natural disasters, inflation, market conditions and other shocks.
7. **Global slowdown:** Greater financial interdependence amongst national economies, resulting from globalization, has the effect of transferring or spreading shocks from one nation to another. This can be seen from the financial crisis in 2008, which affected the world, leading to a global slowdown. Many of these shocks coming from the rest of the world hit the urban sector hardest. Still, there are a number of channels through which the effect is transferred to the rural enterprises.
8. **Discrimination:** Government of India has discriminated against agriculture and those enterprises that depend upon it. This 'discrimination' has affected rural entrepreneurs who depended on agriculture and allied sectors.
9. **Outsource:** MNCs outsource the manufacturing to the Indians. Thus, it leads to more labour absorption from the rural industries and affecting their growth.

REMEDIES TO SOLVE THESE PROBLEMS

Different organization like IFCI, ICICI, SIDBI, NABARD etc. are trying to sort these problems. Marketing problems are related with distribution channels, pricing, product promotion etc. In order to make the rural entrepreneurs to start the business venture, the following measures may be adopted:

1. **Creation of finance cells:** The financial institutions and banks which provide finances to entrepreneurs must create special cells for providing easy finance to rural entrepreneurs.
2. **Low rates of interest:** The rural entrepreneurs should be provided finance at concessional rates of interest and on easy repayment basis. The cumbersome formalities should be avoided in sanctioning the loans to rural entrepreneurs.
3. **Proper supply of raw materials:** Rural entrepreneurs should be ensured of proper supply of scarce raw materials on priority basis. A subsidy may also be offered to make the products manufactured by rural entrepreneurs cost competitive and reasonable.
4. **Offering training facilities:** Training is essential for the development of entrepreneurship. It enables the rural entrepreneurs to undertake the venture successfully as it imparts required skills to run the

enterprise. Presently the economically weaker entrepreneurs of the society are offered such training facility under Prime Minister's RozgarYojna. (PMRY) Programmed FICCI, (NGOs) Lions Clubs, Rotary Clubs and voluntary organizations can also arrange such training programmers for rural entrepreneurs to provide them stimulation counseling and assistance.

5. **Setting up marketing co-operatives:** Proper encouragement and assistance should be provided to rural entrepreneurs for setting up marketing co-operatives. These co-operatives shall help in getting the inputs at reasonable rate and they are helpful in selling their products at remuneration prices. Hence, middlemen can be avoided and rural entrepreneurs derive the benefits of enterprise. Common production-cum-marketing centers should be set up with modern infrastructural facilities. Thus, proper education, comprehensive training, setting up of separate financial institutions, development of marketing co-operatives to a large extent help to flourish the rural entrepreneurs in India. Further, both government and non-government agencies should play an important role.

PROBLEMS FACED BY THE RURAL ENTREPRENEURS

Entrepreneurs are playing very important role in the development of an economy. They face various problems in day to day work. Some of the major problems faced by rural entrepreneurs are classified as under:

- ❖ Financial Problems
- ❖ Marketing problems
- ❖ Management problems
- ❖ Human resource problems
- ❖ Other problems

1. FINANCIAL PROBLEMS

- A. **Lack of funds:** Finance is the back bone for any business. Most of the rural entrepreneurs fail to get external funds due to absence of tangible security and credit in the market. The procedure to avail the loan facility is too time-consuming that its delay often disappoints the rural entrepreneurs. They are mainly depending on parents and relatives, popularized person in the particular area for finance. They are not aware of the entrepreneurial supporting financial institution like SIDCO (Small Industrial Development Corporation), SIDBI (Small Scale Industrial Development Bank of India), DIC(District Industrial Center), IDBI(Industrial Development Bank of India), IFCI(Industrial Finance Corporation of India), ICICI (Industrial Credit and Investment Corporation of India) ,etc.,
- B. **Risk bearing Capacity:** Generally, rural entrepreneurs have low risk bearing ability due to lack of financial resources and external support. They expect regular income and restrict themselves to invest in their business.
- C. **Poor infrastructure facilities:** Due to lack of proper and adequate infrastructural facilities, the growth of rural entrepreneurs is not very healthy. Infrastructure facilities like transport (bus, train etc.), communication (telephone; fax, internet facilities etc.), power supply are very poor in the rural areas compare with the cities. They are very much useful for the entrepreneurs to successfully run their business.

2. MARKETING PROBLEMS

- A. **Limited scale and scope of local market opportunities.**
- B. **Lack of market information due to poor communication facility:** The absence of effective communication and access to the right information makes it difficult for rural entrepreneurs to understand market trends and policies followed by the government on industrialization.

- C. Competition:** Rural entrepreneurs are facing tough competition from the large scale organizations and urban entrepreneurs. Rural entrepreneurs cannot compete with the urban entrepreneurs due to lack of standardization and branding and quality of the products. The rural producers are not collective in their approach for marketing their products because they are too widely scattered and mostly uneducated.
- D. Middleman:** Middlemen exploit rural entrepreneurs. The rural entrepreneurs are heavily dependent on middlemen for marketing of their products who pocket large amount of profit. Storage facilities and poor means of transport are other marketing problems in rural areas. In most of the villages, farmers store the produce in open space, in bags or earthen vessels etc. So these indigenous methods of storage are not capable of protecting the produce from dampness, weevils etc. The agricultural goods are not standardized and graded.
- E. Low quality products:** today consumers are more sensitive regarding the quality of the products. Only some big firms follow the TQM (Total Quality Management) practices in their production. Rural entrepreneur may not produce quality products due to lack of standardized equipment's and poor quality of raw materials.

3. MANAGEMENT PROBLEMS

- A. Lack of IT knowledge and Technical Skills:** Information technology is not very common in rural areas. Due to low level of technical knowledge and skills, their performance may not be better. Entrepreneurs rely on internal linkages that encourage the flow of goods, services, information and ideas. The intensity of family and personal relationships in rural communities can sometime be helpful but they may also present obstacles to effective business relationships. Business deals may receive less than rigorous objectivity and intercommunity rivalries may reduce the scope for regional cooperation. Decision making process and lines of authority are mostly blurred by local politics in rural areas.
- B. Non availability of skilled labours:** In rural areas skilled labours may not be available easily to the entrepreneurs. Generally skilled personnel are willing to work in urban areas due to high salary and other amenities when compared to rural areas.
- C. Legal Formalities:** Rural entrepreneurs find it extremely difficult in complying with various legal formalities in obtaining licenses due to illiteracy and ignorance
- D. Procurement of Raw materials:** In rural areas raw materials of the business mainly depend on agriculture. If there are no rains, the business operations are affected. Thus, procurement of raw materials is really a tough task for rural entrepreneur. They may end up with poor quality raw materials, may also face the problem of storage and warehousing.
- E. Lack of training facilities and extension services** create a hurdle for the development of rural entrepreneurship.
- F. Poor Quality of Products:** Another important problem is growth of rural entrepreneurship is the inferior quality of products produced due to lack of availability of standard tools and equipment and poor quality of raw materials.

4. HUMAN RESOURCE PROBLEMS

- A. Low Skill Level of Workers:** Most of the entrepreneurs of rural areas are unable to find workers with high skills. Turnover rates are also high in this case. They have to be provided with on the job training and their training is generally a serious problem for entrepreneur as they are mostly uneducated and they have to be taught in local language which they understand easily.
- B. Negative Attitude:** The environment in the family, society and support system is not conducive to encourage rural people to take up entrepreneurship as a career. It may be due to lack of awareness and knowledge of entrepreneurial opportunities. The young and well educated mostly tend to

leave. Continuous motivation is needed in case of rural employee which is sometime difficult for an entrepreneur to impart with.

5. OTHER PROBLEMS

- A. Political and structural problems:** Before establishing the business, entrepreneurs clear the government complicated like business license, pollution and clearance etc. Due to low level of education rural entrepreneurs may not complete this process early.
- B. Poor knowledge in the maintenance of accounts:** Rural entrepreneurs are having poor knowledge in the operation of various business transactions and maintenance of accounts and records. This is because of their illiteracy.
- C. Low Purchasing power:** Purchasing power of the rural people is low compared to the urban.
- D. Adverse social, cultural and industrial environment:** Social evils, caste systems, fatalism, religious superstitions, particularly in the country side, do not allow development of adventurous spirit. Lack of skill and expertise in labourers, their tendency to migrate to cities and consumer's habit to buy goods produced by big companies create many problems for new entrepreneurs.

GOVERNMENT SCHEMES FOR RURAL ENTREPRENEURSHIP IN INDIA

- ❖ Entrepreneurship Development Institution Scheme
- ❖ Rajiv Gandhi Udyami Mitra Yojana (RGUMY)
- ❖ Performance and Credit Rating Scheme (Implemented through NSIC)
- ❖ Product Development, Design Intervention and Packaging (PRODIP)
- ❖ Khadi Karigar Janashree Bima Yojana for Khadi Artisans
- ❖ Marketing Assistance Scheme
- ❖ Provision of Urban Amenities to Rural Areas (PURA)

POLICY IMPLICATIONS FOR THE DEVELOPMENT OF RURAL ENTREPRENEURSHIP

The appropriate policy elements for development of rural enterprises are briefly listed as follows:

- ❖ Policies should be flexible to facilitate local circumstances.
- ❖ The nature of enterprises to be established in rural areas must be conducive to those areas in economic, social and environmental terms.
- ❖ Rural enterprise policy should cover all types of rural enterprise.
- ❖ There should be consistency and co-ordination with respect to the choice of rural enterprise locations.

SUGGESTIONS

- Doing more and more of advertisement and publicity about the advantages of being rural entrepreneur.
- Govt. should encourage and motivate individuals to become an entrepreneur.
- Govt. should provide separate financial fund of rural entrepreneur.
- Govt. should provide special infrastructure facilities whatever they need.
- Govt. should recognise the successful entrepreneur and felicitating them
- Govt. should arrange special training and awareness programs of rural entrepreneurship
- Rural entrepreneur should more competitive and efficient in the local & international market.

CONCLUSION

Rural entrepreneur is a key figure in economic progress of India. Rural entrepreneurship is the way of converting developing country into developed nation. Rural entrepreneurship is the answer to removal of rural poverty in India. Therefore, there should be more stress on integrated rural development programs. The problem is that most of the rural youth do not think of entrepreneurship as the career option. Therefore, the rural youth need to be motivated to take up entrepreneurship as a career, with training and sustaining support systems providing all necessary assistance. There should be efficient regulated market and government should also lend its helping hand in this context. Grading and standardization should be promoted and promotional activities should be enhanced. NGO's should be provided full support by government.

REFERENCES

1. Power, Thomas Michael Lost Landscapes and Failed Economies: The Search for A Value of Place, Island Press, 1996, 38.
2. Rural Policy Research Institute (RUPRI) Opportunities for Rural Policy Reform: Lessons Learned from Recent Farm Bills, 1995, 2.
3. <http://www.scribd.com/doc/26661470/Rural-Entrepreneurship-in-India>
4. www.iosrjournals.org
5. KishorChoudhary. (2011), Effect of Globalization on Rural Entrepreneurship in India, Half Yearly Global Economic Research Journal, ISSN 2249- 4081, Vol. I, Issue, pp. 88-92.
6. AhirraoJitendra. (2013), Enterpreneurship and Rural Women in India, New Century, New Delhi.
7. SandeepSaxena. Problems Faced By Rural Entrepreneurs and Remedies to Solve it
8. Brijesh Patel and KiritChavda Rural Entrepreneurship in India:
9. Challenge and Problems journal, ISSN: 2321-7782
10. www.google.com