



**RURAL ENTREPRENEURSHIP IN INDIA: AN
OVERVIEW**

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Abstract

The issues of rural entrepreneurship are increasingly significant in the developing countries, as a result of a great number of programs whose goal is to encourage the sustainable rural development. However, these issues are also current in other countries in which the rural development is connected to entrepreneurship more than ever. One of the most important solutions for sustainable rural development is rural entrepreneurship development. Today, entrepreneurship as a strategy in development, growth and prosperity of human societies has converted to a replacement through which all factors, resources and facilities of a community spontaneously and with exposure in an evolutionary process has been prepared in order to achieve high social ideals for being the origin of positive socio-economic impacts. Most of the rural entrepreneurs face peculiar problems like illiteracy, fear of risk, lack of training and experience, limited purchasing power and competition

from urban entrepreneurs. In recent times, more and more entrepreneurs are realizing the potential of rural market and have started focusing on it. This paper focuses on the challenges and opportunities of the rural entrepreneurship in India.

Keywords: Entrepreneurship, rural entrepreneurship, rural development, industrial growth, etc.

Introduction

The problem of rural entrepreneurship is increasingly significant in the developing countries, as a result of a great number of programs whose goal is to encourage the sustainable rural development. However, these issues are also current in other countries in which the rural development is connected to entrepreneurship more than ever. Several factors influence this, such as the traditional economic activities which are based upon the routine agricultural production and the activities based upon the usage of natural resources which have the goal of obtaining competitiveness. After over 6 decades of independence and industrialization in our country, still large part of population remains under poverty line. 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. Entrepreneurship can play an important role in rural development. If entrepreneurs really encouraged in rural area it would, of course, be instrumental in changing the face of rural areas by solving the problems of unemployment, poverty, economic disparity, poor utilization of rural capacity and low level of standard of living. For strengthen 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. Rural development is more than ever before linked to entrepreneurship. Institutions and individuals promoting rural development now see entrepreneurship as a strategic development intervention that could accelerate the rural development process.

Importance of Rural Entrepreneurs

One of the most important solutions for sustainable rural development is rural entrepreneurship development. Today, entrepreneurship as a strategy in development, growth and prosperity of human societies has converted to a replacement through which all factors, resources and facilities of a community spontaneously and with exposure in an evolutionary process has been prepared in order to achieve high social ideals for being the origin of positive socio-economic impacts. Rural entrepreneurship can be considered as one of the solutions to reduce poverty, migration and develop employment in rural environments. The entrepreneurs with their ability to scan,

analyze and identify opportunities in the environment transform them into business proposition through creation of economic entities. They by channelizing the resources from less productive to more productive use create wealth. Through efficient and effective utilization of national resources, they act as catalysts for economic development and agents of social transformation and change.

Entrepreneurs by placing profitable business proposition attract investment to ensure private participation in the industrialization process. The otherwise idle savings are channelised for investment in business ventures which in turn provides return. Again the savings are invested giving a multiplier effect to the process of capital formation. The entrepreneurs always look for opportunities in the environment. They capitalize on the opportunities of governmental concessions, subsidies and facilities to set up their enterprises in undeveloped areas. Thus rural entrepreneurs reduce the imbalances and disparities in development among regions. This is the real charm of being an entrepreneur. They are not the job seekers but job creators and job providers. With the globalization process the government jobs are shrinking leaving many unemployed. In the circumstances, the entrepreneurs and their enterprises are the only hope and source of direct and indirect employment generation. Employment is generated directly by the requirement of the large enterprises and indirectly by consequential development activities.

Entrepreneurial initiative through employment generation leads to increase in income and purchasing power which is spent on consumption expenditure. Increased demand for goods and services boost up industrial activity. Large scale production will result in economies of scale and low cost of production. New innovative and varying quality products at most competitive prices making common man's life smoother, easier and comfortable are the contribution of entrepreneurial initiative. Entrepreneurs convert the latent and idle resources like land, labour and capital into goods and services resulting in increase in the national income and wealth of a nation. The increase in national income is the indication of increase in net national product and per capita income of the country. Entrepreneurs are the corner stones of national self-reliance. They help to manufacture indigenous substitutes to imported products which reduce the dependence on foreign countries. There is also a possibility of exporting goods and services to earn foreign exchange for the country.

Entrepreneurs are considered as economic agents since they unite all means of production. All the factors of production i.e. land, labour, capital and enterprise are brought together to get the desired production. This will help to make use all the factors of production with proper judgment, perseverance and knowledge of the world of business. The least combination of factors is possible

avoiding unnecessary wastages of resources. The modern world is dominated by economic power. Industrial development may lead to concentration of economic power in few hands which results in the growth of monopolies. The increasing number of entrepreneurs helps in dispersal of economic power into the hands of many efficient managers of new enterprises. Hence setting up of a large number of enterprises helps in weakening the evil effects of monopolies. Thus, the entrepreneurs are key to the creation of new enterprises that energise the economy and rejuvenate the established enterprises that make up the economic structure.

Problems in Rural Entrepreneurship

Most of the rural entrepreneurs face peculiar problems like illiteracy, fear of risk, lack of training and experience, limited purchasing power and competition from urban entrepreneurs. Some of the major challenges faced by rural entrepreneurs are as under.

Family problem: Convincing to opt for business over job is easy is not an easy task for an individual. 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.

Social problem: Family challenges are always at the top because that is what matter the most but at times social challenges also are very important. Let us say you and your friend graduated at the same time. You opted for entrepreneurship and your friend opted for a job. He now has a flat, car and what not because he could easily get those with a bank loan but you still have nothing to show off and this is where the challenge comes.

Technological problem: Indian education system lags too much from the job industry as a whole but then it lags even more when it comes to online entrepreneurship. What technology would be ideal and how to use that technology effectively? Rural entrepreneurs suffer a severe problem of lack of technical knowledge. Lack of training facilities and extension services create a hurdle for the development of rural entrepreneurship.

Financial problem: 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. Lack of finance available to rural entrepreneurs is one of the biggest problems which rural entrepreneur is bearing now days especially due to global recession. Major difficulties faced by rural entrepreneurs include low level

of purchasing power of rural consumer so sales volume is insufficient, lack of finance to start business, reduced profits due to competition, pricing of goods and services, financial statements are difficult to be maintained by rural entrepreneur, stringent tax laws, lack of guarantees for raising up of loans, difficulty in raising capital through equity, dependence on small money lenders for loans for which they charge discriminating interest rates and huge rent and property cost. These all problems create a difficulty in raising money through loans. Some banks have not ventured out to serve rural customers because banks are expensive to be reached by rural customers and, once reached, are often too poor to afford bank products. Government is providing subsidies to rural areas but due to high cost of finance, these subsidies are not giving fruitful results. Various schemes like composite loan scheme, tiny unit scheme, scheme for technical entrepreneurs, etc. had started but they are unable to meet the expectation of rural entrepreneur.

Policy problem: Now and then there are lots of changes in the policies to change in the government. Problems of TRIPS and TRIMS, problems of raising equity capital, problems of availing raw-materials, problems of obsolescence of indigenous technology and increased pollutions ecological imbalanced are associated with policy challenges.

Marketing problem: Rural entrepreneurs face severe competition from large sized organizations and urban entrepreneurs. They incur high cost of production due to high input cost. Major problems faced by marketers are the problem of standardization and competition from large scale units. They face the problem in fixing the standards and sticking to them. Competition from large scale units also creates difficulty for the survival of new ventures. New ventures have to come up with new advertisement strategies which the rural people can easily understand. Printed media have limited scope in the rural context. The traditionally bounded nature, cultural backwardness and cultural barriers add to the difficulty of communication. Besides, the producers are not collective in their approach for marketing their products because they are too widely scattered and uneducated. 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.

Managerial problem: Information technology is not very common in rural areas. 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.

Human Resource problem: 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. The industries in rural areas are not only established just to take advantage of cheap labour but also to bring about an integrated rural development. So rural entrepreneurs should not look at rural area as their market, they should also see the challenges existing in urban areas and be prepared for them. Rural entrepreneurs are generally less innovative in their thinking. Youths in rural areas have little options “this is what they are given to believe”. This is the reason that many of them either work at farm or migrate to urban land.

Suggestions

The following are the suggestions for expanding the scope of rural entrepreneurship in India.

- The financial institutions and banks which provide finances to entrepreneurs must create special cells for providing easy finance to rural entrepreneurs.
- 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.
- 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.
- Training is essential for the development of entrepreneurships. 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 PMRY. For rural entrepreneurs, individual based EDI’ approach is highly relevant where the motivation and familiarization processes coupled with promise of bank credit and support by way of escort services could persuade rural youth with certain basic skills of hands on technology to start small enterprises.

- 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 remunerative 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.
- Government offered various schemes and opportunity to the rural entrepreneurs. Due to their illiteracy they are not aware of the schemes and opportunities offered by the government to them. So they are to be educated by the way of conduct workshop and seminar related with starting business.
- Government may take step to make infrastructure facilities, warehousing facilities and assistance to marketing program, and offer assistance to export the goods of rural entrepreneurs to foreign countries.

Conclusion

In India, about 70 per cent of the households live in villages. This is estimated to grow in the near future, which makes it a big market in the world. In recent times, more and more entrepreneurs are realizing the potential of rural market and have started focusing on it. Therefore, promotion of rural entrepreneurship is extremely important in the context of producing gainful employment and reducing the widening disparities between the rural and urban population. Rural entrepreneurship is necessary to minimize poverty and to overcome low productivity in the farm sector. To conclude, monitoring rural development programmes by supplying right information at the right time, providing timely and adequate credit and continuous motivation of bankers, Panchayat union leaders and voluntary service organizations will lead to the development of rural entrepreneurship.

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