

RURAL DEVELOPMENT IN INDIA THROUGH ENTREPRENEURSHIP

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ABSTRACT

Rural entrepreneurship can be defined as entrepreneurship emerging at village level which can take place in a variety of fields of endeavor such as business, industry, agriculture and act as a potent factor for economic development. There is a lot of scope for rural entrepreneurship in Small and Medium Enterprises (SMEs) in India which plays a vital role in providing employment and income for the poor and unemployed in rural areas. Considering more than 52 percent of the GDP and making available more than 75 percent of all labour force in India, the rural sector is best poised for a rapid expansion in the small and medium industry arena. People in rural areas suffer with unemployment, poor infrastructure facilities which may be solved with the development of the rural entrepreneurs. However, the rural entrepreneurs are suffering with various problems like fear of risk, lack of finance, lack of IT knowledge and technical skills, poor quality products, adverse social, cultural and industrial environment, competition from the urban entrepreneurs. This paper is an attempt to understand the importance and challenges of rural entrepreneurship in the context of rural development in India and possible suggestions are given to overcome the problems.

Keywords: Rural Entrepreneurs, traditional skills, SMEs, Rural Sector, Development.

INTRODUCTION

An entrepreneur is the entity who conceptualizes the idea of an enterprise and converts the ideas into reality by taking the initiative of combining all the necessary factors of production and further taking the risk to complete and sustain the enterprise. It plays a vital role in the economy by contributing to the process of economic development. Entrepreneurship as a concept refers to the essence that involves all traits, skill, process, initiatives, activities, pain associated with an entrepreneur. 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. Entrepreneurship can significantly contribute to national

economy by enhancing the pace of rural development. Agriculture continues to be the backbone of rural society. According to 2011 census, 68.84 percent people are living in rural areas of India. 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 urban areas. 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 area provides an answer to the above problems.

METHODOLOGY

It is an analytical and descriptive study carried out by collecting data from the secondary sources mainly –books, journals, newspaper and websites. Personal observation is also used as methodology in writing this paper. This article is an attempt to understand the importance and the problems and challenges for development of entrepreneurship in the context of rural development in India and possible suggestions are given to overcome the problems.

OBJECTIVES OF THE STUDY

The objectives of the study are:

1. To know basic principles of entrepreneur applied to the rural development.
2. To know the types of Rural Entrepreneurship
3. To know investment – wise classification of rural industries (MSMEs).
4. To study the importance of rural entrepreneurs in economic development.
5. To study the problems and challenges faced by the rural entrepreneurs.
6. To provide suggestions for development of rural entrepreneurship.

1.0 Basic Principles of entrepreneur applied to the rural development are:

- Optimum utilization of rural resources in an entrepreneurial venture by rural population. Better distribution of the farm produce results in rural prosperity.
- Entrepreneurial occupation rural population to reduce discrimination and providing alternative occupations as against the rural migration.
- To activate such system to provide manpower, money, material, machinery, management and market to the rural population.

2.0 Types of Rural Entrepreneurship: In India, rural entrepreneurs can be classified into the following categories.

- **Agro Based Industries:** This type of rural entrepreneurs based on the industries from agriculture which includes processing and sale of agricultural products such as pickles, juice, fruit jam, dairy products, products made out of rice, sugar industries, jaggery, oil processing from oil seeds, spices, etc.
- **Forest Based Industries:** Rural industry based on forest products are coming under this category. Forest based industries that include honey making, wood products, bamboo and cane products, beedi making, coir industry, making eating plates from leaves, etc.
- **Mineral based industry:** This is a type of rural entrepreneurship based on mine and mineral products. Some of these enterprises are stone crushing, cement products, wall coating powders, decorative items made from marble and granite. This type of rural entrepreneurship business is quite familiar in rural areas of our country.
- **Textile Industry:** This category based on textile and cotton products. Textile industry includes weaving, spinning and dyeing of clothes. This industry incorporates within its ambit khaddi, tusar silk, muga silk.
- **Engineering and Services:** Engineering industries include making and repairing of parts of agricultural equipments, tools and implements, parts of machinery etc.
- **Handicrafts:** These include making of wooden or bamboo handicrafts, traditional decorative products, toys and dolls making, all other forms of handicrafts typical to the region. This type of rural entrepreneurs are prominent in their respective region of our country.

All the above-mentioned rural entrepreneurs play a prominent role in rural development which is based on the development of these traditional rural entrepreneurs. Hence, it worth mentioning that rural development in India is directly related to the development of the different categories of rural entrepreneurs of our country.

3.0 Investment – wise Classification of Rural Industries (MSME): A major change took place in 2006 with the enactment of MSME Development Act, 2006. Under this Act, the earlier, rather, rather limited, concept of ‘Industries’ has been widened to that of ‘Enterprises’. The Micro, Small and Medium Enterprises, as per Ministry of MSME Development Act, 2006 are defined on manufacturing and services enterprises as per the investment in plant and machinery or investment in equipment. According to the Ministry of MSMEs, recent ceilings on investment for enterprises to be classified as micro, small and medium enterprises are as follows:

Definitions of Micro, Small and Medium Enterprises under MSME Act, 2006

Manufacturing Sector (Enterprises): The enterprises engaged in the manufacture or production of goods or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use. The Manufacturing Enterprise is defined in terms of investment in Plant and Machinery.

Enterprise Category	Investment in plant and machinery
Micro Sector	Does not exceed 25 lakh rupees
Small Sector	More than 25 lakh rupees but does not exceed 5 crore rupees
Medium Sector	More than 5 crore but does not exceed 10 crore rupees

Service Sector (Enterprises): The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.

Enterprise Category	Investment in equipment
Micro Sector	Does not exceed 10 lakh rupees
Small Sector	More than 10 lakh rupees but does not exceed 2 crore rupees
Medium Sector	More than 2 crore rupees but does not exceed 5 crore rupees

4.0 Role and Importance of Rural Entrepreneurs in Economic Development: The rural entrepreneurship is very important for a country like India which has huge rural population. 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. A catalyst is needed which results in entrepreneurial activity to a considerable extent. Rural entrepreneur can be considered as an important catalyst in bringing about the economic development of a country. They channelize the resources from less productive to more productive to create wealth. Through efficient and effective utilization of national resources, they act as catalysts for economic development and agents of social transformation and change. The role and significance of rural entrepreneurship is manifested in the following ways:

- **Reduction of Poverty and Unemployment:** Rural entrepreneurship is basically labour intensive and creates large scale employment opportunities for the rural people. Rural entrepreneurship has the potentiality of reducing the problem of unemployment and underemployment prevalent in rural areas.
- **Decentralized Industrial Development, Better Distribution of Wealth:** Rural entrepreneurship play imperative role in the economic expansion of the country and results in decentralized industrial development, better distribution of income and wealth among the people.
- **Proper utilization of local resources:** Rural industries help in the maximum utilization of local resources like raw materials and labour for productive purposes and thus increase

productivity. Efficient and effective use of limited local resources by the entrepreneurs leads to overall economic development of rural area.

- **Check on migration of rural population:** Rural population including the unskilled workers moves towards urban areas for various reasons like income generation, searching good job, utilize various facilities and lead to a very miserable life in urban areas. Rural entrepreneurship has the capacity to reduce the gap existing between urban and rural areas. Rural entrepreneurship can generate employment opportunities and contribute in developing the infrastructure and other amenities in the rural India.
- **Balanced regional development:** Rural entrepreneurship prevents the concentration of industry in urban areas by setting small scale units in remote areas, successful entrepreneurship development programmes can help in achieving balanced regional development.
- **Promotion of artistic activities:** Protecting and promoting arts and crafts through rural entrepreneurship preserves the age-old rich heritage of rural India.
- **Check on social evils:** The growth of rural entrepreneurship reduces the social evils like poverty, social tensions, atmospheric pollution, the growth of slums and ignorance of inhabitants etc.
- **Awaken the rural youth:** Rural entrepreneurship encourages young and promising entrepreneurs to develop and carry out entrepreneurial activities in the rural sector. Hence, the rural youth can be encouraged and awakened through rural entrepreneurship.
- **Improves standard of living:** Rural entrepreneurship can improve the standard of living in rural areas. Increasing opportunities for growth and prosperity can uplift the rural communities. .
- **Improvement in per capita income:** Rural entrepreneurship generates more output, employment and wealth by exploiting new opportunities, thereby helping to the growth and improvement of per capita income of rural people.
- **Self-reliance:** Entrepreneurs are the cornerstone of national self-reliance. They help to manufacture of indigenous substitutes to imported products which reduce the dependence on foreign countries. Hence, the import substitutions ensure economic independence and the country becomes self-reliance.
- **Earnings of foreign exchange:** Rural entrepreneurship can play a significant role in increasing the foreign exchange earnings of the country if their products are recognized and demanded abroad.

5.0 Problems faced by the rural entrepreneurs:

Entrepreneurs are playing very important role in the rural development of an economy. The entrepreneurs of rural India are confronted by an array of obstacles and hindrances. Some of the major problems faced by rural entrepreneurs are classified as under:

- **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 and other informal sector for finance.
- **Low level of infrastructural facilities:** Due to lack of proper and adequate infrastructural facilities, the growth of rural entrepreneurs is not very healthy. Infrastructure facilities like transport, communication, power supply are very poor in the rural areas compared to urban areas. The low level of infrastructural facilities retards the development of rural entrepreneurship.
- **Risk bearing Capacity:** Generally, rural entrepreneurs unlike their counterparts are not well equipped to undertake heavy risks. They have low risk bearing capacity due to lack of financial resources, credit facilities and external support. They expect regular income and restrict themselves to invest in their business.
- **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.
- **Stiff Competition:** Rural entrepreneurs are facing tough competition from the large scale organizations and urban entrepreneurs which have better access to information, technology, business prospects, credit facility. 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 to widely scattered and mostly uneducated.
- **Existence of Middlemen:** The existence of different levels of intermediaries is a serious problem for the entrepreneurs in rural India. 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.
- **Poor quality products:** The entrepreneurs of the rural areas find it difficult to maintain high level of standard in their products and services. Today, consumers are more sensitive regarding the quality of the products. Only some big firms follow the Total Quality Management(TQM) practices in their production. Rural entrepreneur may not

produce quality products due to lack of standardized equipments and poor quality of raw materials.

- **Lack of Technical Skills:** Rural entrepreneurs face a severe problem of 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. There are two problems associated with it. First, the rural entrepreneurs do not keep themselves updated with information of technological developments. Second, the employees and workers without technical skill adversely affect their productivity.
- **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.
- **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. The rural entrepreneurs also face the problem of warehousing and storage. Entrepreneurs using perishable raw materials do not have easy access to cold storage facilities within the rural areas.
- **Lack of training facilities:** The lack of training and skill development facilities create a hurdle for the development of rural entrepreneurship. The rural entrepreneurs find it very difficult to train and develop their workers in order to enhance their productivity.
- **Lack of positive and inspiring atmosphere:** The environment in the family, society and support system is not conducive to encourage rural people to take up entrepreneurship as a career. The social environment, family customs, traditions are not conducive to encourage youngsters to take up entrepreneurship. The rural areas are mostly lack of awareness and knowledge of entrepreneurial opportunities.
- **Structural problems:** Before establishing the business, entrepreneurs have to complete the complicated process like business license, pollution and clearance etc. Due to low level of education, rural entrepreneurs may not complete this process fastly.
- **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 due to their illiteracy.
- **Low Purchasing power:** Lack of purchasing power is a serious handicap for the rural entrepreneurs. Leaving aside few exceptions, the rural entrepreneurs also face the crisis of lack of capacity to purchase resources and machineries.

Despite all the shortcomings of entrepreneurs in rural areas, it is necessary to assess the strength of rural areas and create opportunities in rural areas.

6.0 Remedies to Solve These Problems:

Different organization like IFCI, ICICI, SIDBI, NABARD etc. are trying to sort out these problems. Right steps from all sides are required for the development of rural entrepreneurs and their greater participation in the entrepreneurial activities and thereby enhancing the pace of rural development. In view of the above analysis, the following recommendations may be forwarded for rural development through the development of rural entrepreneurs.

- **Labour Intensive Techniques:** As there is disguised unemployment in our agriculture sector, labour intensive techniques should be adopted in rural industrial units.
- **Educate the Rural Entrepreneurs:** Government and NGOs offered various schemes and opportunity to the rural entrepreneurs. However, they are unaware of these schemes and opportunities due to their ignorance or illiteracy. Therefore, they should to be educated by the conducting workshops and seminars related to their business.
- **Offer finance with low rate of interest:** Financial institutions like ICICI, SIDBI, IDBI, IFCI, and SFC should provide adequate finance to rural entrepreneurs with low rate of interest and limited collateral security with liberal terms and conditions. The cumbersome formalities should be avoided in sanctioning the loans to rural entrepreneurs
- **Government Role:** Government should take necessary steps to provide infrastructure, warehousing facilities, offer adequate financial assistance to the rural entrepreneurs so that more and more rural educated youth come forward for establishment of rural entrepreneurship in the country.
- **Exploitation of Village resources:** Care should be taken by the authorities to provide training facility to the rural entrepreneurs so that skill of the rural entrepreneurs can increase for utilisation of local resources properly.
- **Ancillary units:** Several ancillary units should be established in rural areas which will lead to better productivity of many rural industries.
- **Micro credit schemes:** Provisions should be made for micro credit system like SHGs to the rural entrepreneurs who will boost up the economic development and employment generation of the rural poor.
- **Infrastructure facilities:** Rural entrepreneurs should be provided with sufficient infrastructural facility to improve their business. Basic amenities like land, power, raw materials and finance should be provided to the rural entrepreneurs at concessional rates.
- **Credit Facility:** Easy credit facility for rural entrepreneurs has to be developed so as to enable them to get sufficient amount of loan from the financial institutions at reasonable rate of interest.
- **Offering Training Facilities:** 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. Efforts should be made to encourage the skilled and professional people who have left the rural area to come back.

- **More Competitive:** Rural entrepreneur should more competitive and efficient in the local & international market. Grading, standardization should be promoted for the benefit of rural industries.
- **Market information** of different products and **innovative technology** should be publicly announced by the government in order to get its acceptance among the rural entrepreneurs.
- **Entrepreneurship Development Cell** should be established at all the villages level to provide guidance and counselling to motivate the rural entrepreneurs regarding the use of modern technology.
- **Awards** should be given to those entrepreneurs who demonstrate extraordinary success. Successful rural entrepreneurs should show path for other rural entrepreneurs.

CONCLUSION

Rural entrepreneurship plays a vital role in the economic development of India, particularly in the rural economy. It helps in generating employment opportunities in the rural areas with low capital, raising the real income of the people, contributing to the development of agriculture by reducing disguised unemployment, reducing poverty, migration, economic disparity. As the population grows, there will be pressure on land and the growth in the agricultural production cannot absorb the ever increasing rural labour force in agricultural employment. This leaves the rural non-farm sector in the form of rural SMEs to absorb those released from agriculture but not absorbed in the urban industries. Rural entrepreneurship is the way of converting developing country into developed nation. Promotion of rural entrepreneurship is extremely important in the context of producing gainful employment and reducing the widening disparities between the rural and urban. Thus, rural entrepreneurship can be the panacea for the problems to poverty, migration, economic disparity, unemployment and underemployment associated with rural and backward areas. In the era of globalisation, entrepreneurship development in the rural context is a challenge. Government should go for appraisal of rural entrepreneurship development schemes and programmes in order to uplift rural areas. The rural development programs should combine infrastructure development, education, health services, investment in agriculture and the promotion of rural non-farm activities in which women and rural population can engage themselves. A judicious mix of local manpower with the local resource is necessary to bring a viable development in rural areas.

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