

A Study on Rural Entrepreneurship-Prospects and Challenges

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ABSTRACT

Certainly the economic development of our country largely depends on the development of rural areas and also the standard of living in its rural mass. For the economic development of a country and of regions within the country rural entrepreneur is surely one of the most important inputs. Today entrepreneurs are also driven to achieve success in their business along with the qualities inherited by them of a dreamer, leader, manager, innovator, continuous learner, and decision maker and most important is to implement all these qualities into the work. Certainly entrepreneurs set the example of turning their dream into reality. More importantly the story behind to achieve the dreams into reality is to set massive goals for themselves and also stay committed to achieving them regardless of the obstacles they get in the way with the unmatched passion and the ambition towards achieving the goal. There are certainly some obstacles which we call challenges to overcome by looking forward the prospects to be a successful entrepreneur. Rural entrepreneurship is nowadays a major opportunity for the people who migrate from

rural areas or semi - urban areas to Urban areas. On the contrary it is also a fact that the majority of rural entrepreneurs are facing many problems due to not availability of primary amenities in rural areas of developing country like India. Lack of education, financial problems, insufficient technical and conceptual ability it is too difficult for the rural entrepreneurs to establish industries in the rural areas. This paper makes an attempt to find out the Problems and Challenges for the potentiality of Rural Entrepreneurship. It also focuses on the major problems faced by rural entrepreneurs especially in the fields of Marketing of products, financial amenities and other primary amenities and infra structure facilities, i.e. availability of electricity, water supply, transport facilities and required energy etc.

Keywords: Rural Entrepreneurship, challenges, Problems, constraints, rural, amenities.

INTRODUCTION

Concept of rural entrepreneurship: Today rural entrepreneurship has emerged as a dynamic

Concept. In general parlance rural entrepreneurship is defined as “entrepreneurship emerging at village level which can take place in a variety of fields of Endeavour such as industry, business, agriculture and act as a potent factor for overall economic development. Compared to earlier days development of rural areas have been linked to entrepreneurship. Defining entrepreneurship is not an easy task. Entrepreneurship means primarily innovation to some, to others it means risk taking? To others a market stabilizing force and to some others it means starting, managing a owning a small business. An entrepreneur is a person who either creates new combination of production factors such as new products, new methods of production, new markets, finds new sources of supply and new products and new organizational forms or as a person who is necessarily willing to take risks or a person who by exploiting market opportunities, eliminates disequilibrium between aggregate demand and aggregate supply or as one who owns and operates a business.

The rural market of India started showing its potential growth in 1960's , the 70's and 80's witnessed its steady development and current picture reveals that rural economy of India is flourishing. Marketing in the rural areas has become the key strategy of marketers, which in turn is collectively known as rural marketing. In

India it has its existence from so long, rural marketing has been sailing into the river of many phases and now is an ocean to be explored. Before (1960) rural marketing was considered similar to agricultural marketing managed by banyas and mahajans. During 1960 -1990 prosperity of rural market attain attention of manufacturers. After (1990) Indian economy opened up and allowed foreign companies to enter rural market which accelerated the flow of consumables goods in rural sector, since then Indian rural economy had gained its strength and maturity.

Rural marketing is a function which manages all the activities involved in assessing, stimulating and converting the purchasing power into an effective demand for specific products and services and moving them to the people in rural areas to create satisfaction and a standard of living for them and thereby achieving the goals of the organization simultaneously.

Concept of Rural Entrepreneurship

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What is Rural Entrepreneurship?

In simple terms “entrepreneurship” is the act of being an entrepreneur, which can be defined as “one who undertakes innovations, finance and business acumen in an effort to transform innovations into economic goods”. The problem is essentially lopsided development which is a development of one area at the cost of development of some other place, with concomitant associated problems of underdevelopment. For instance, we have seen underemployment or unemployment in the villages that has led to major influx of rural population to the cities. At present what is needed is to create a situation where in the migration from rural areas to urban areas comes down. Migration per se is not always undesirable but it should be minimum as far as employment is concerned. Indeed the situation should be such that people should find it worthwhile to shift themselves from towns and cities to rural areas because of realization of better amenities and opportunities there.

Attributes of Rural Market

- About 833 million people reside in rural area as compared to 377 million people in urban area.
- 53% of all FMCG, s and 59% of all consumer durables are sold in rural market.
- Estimated annual size of rural market :
 - FMCG's: Rs 65000 crores.
 - Durables: Rs 5000 crores.
 - Agricultural inputs and tractors: Rs 45000 crores.
 - Two or four wheeler: Rs 8000 crores.
- 42 million rural households availing banking services in comparison to urban households.
- 46% of soft drinks sales come from rural market.
- 49% of motorcycle sales come from rural areas.
- Rural India accounts for 59% of cigarettes.

Rural Entrepreneurship in India:

Who should necessarily be capable of making use of the government schemes and policies for the betterment of rural people? Some individuals who happen to be NGO’s and local leaders and also who are committed to the cause of the rural people have certainly been the catalytic agents for development. Though their efforts need to be recognized and lauded, yet much more needs to be done to reverse the direction of movement of people i.e., to attract people to rural areas which means not only stopping the outflow of rural people but also attracting them back from towns

and cities where they had migrated. This can be made possible only when young people consider rural areas as places of opportunities. Despite all the inadequacies and in competencies in rural areas one should assess their strengths and also build upon them to make rural areas places of opportunities. This is much more to do with the way one sees the reality of the rural areas. The way a job seeker or survivor would see things would certainly be different from those who would like to do something worthwhile and are also ready to go through a difficult path to achieve their destined goals. It isn't that there is a dearth of people with such a mindset. But due to various complications they change their minds and join the bandwagon of job seekers. Enabling the public to think positively, creatively and engaging them purposefully in entrepreneurship activities is most important for the development of rural areas. Young people with such perspective and also with the help of rightly channelized efforts would certainly usher in an era of rural entrepreneurship.

Some of the basic principles of entrepreneur which can be applied to rural development are:

- Optimum and full utilization of local resources in an entrepreneurial venture by rural population –Better distributions of the farm produce results in rural prosperity

- Entrepreneurial occupation opportunities for rural population to reduce discrimination and also providing alternative occupations as against the rural migration
- To activate such system as to provide basic „6M“- Manpower, money, materials, management, machinery and market to rural population

Rural entrepreneurship in changing environment:

The changing global environment raises many questions about the ability of traditional, small scale businesses in rural areas to share the potential benefits which is offered by the changing environment. The rapid (though declining) population growth which is coupled with even faster urbanization, creates increasing demands. In India semi urban and urban populations in general grow about twice as fast as the overall total population and by 2020 they may exceed the size of rural populations. Such a major demographic trend challenges the capacities of some traditional small scale businesses to cope up with the increasing demands and supply.

Rural Entrepreneurship and development of villages:

Rural entrepreneurship certainly implies entrepreneurship emerging in rural areas. In other words establishing the industry in rural

areas is referred to as rural entrepreneurship. This means that rural entrepreneurship is synonymous with rural industrialization. Many such examples of successful rural entrepreneurship can already be found in literature. Diversification into non-agricultural uses of available resources such as blacksmithing, catering for tourists, carpentry, spinning etc as well as diversification into activities other than those solely related to agricultural usage like use of resources other than land such as water, woodlands, buildings, local features and available skills all fit into rural entrepreneurship. The entrepreneurial combinations of these resources are for example tourism, sport and recreation facilities, professional and technical training, retailing and wholesaling, industrial applications (engineering, crafts), servicing (consultancy), value added (products from meat, milk, wood etc) and the possibility of off-farm work. Equally Entrepreneurial are new uses of land resources that which enable a reduction in the intensity of agricultural production, for example, organic production. Some of the major opportunities in rural entrepreneurship are:

- A. Better distribution of farm produce which results in rural prosperity
- B. Entrepreneurial occupation for rural youth resulting in reduction of disguised employment

opportunities and alternative occupations for rural youth

C. For optimum and maximum utilization of farm produce formation of big co-operatives like Amul

D. Optimum utilization of local resource in entrepreneurial venture by rural youth

On the contrary, Indian agriculture is characterized by low productivity, flood, and exposure for vagaries of nature like drought, other natural disasters and weaknesses like mismatch between agricultural and cash crops, inadequate infrastructure to provide for value addition, wide disparity which exists between public private partnership in agricultural development. Land being limited is unable to absorb the entire labour force throughout the year leading to large scale underemployment and unemployment. Rural people, in search of jobs and better livelihood opportunities often migrate to urban centers creating unwanted slums and also live in unhygienic conditions of living. In the above mentioned trend if employment opportunities are made available in rural areas along with basic amenities of life.

OBJECTIVES OF STUDY:

1. To analyze the roles of rural entrepreneurs in economic development
2. To study the problems in rural entrepreneurship

3. To analyze the effect of globalization on rural entrepreneurship
4. To study the major challenges faced by rural entrepreneurship in India

Role of rural entrepreneurs in economic development

The entrepreneurs with their ability to scan, identify and analyze opportunities in the environment transform them into business proposition through creation of major economic entities there by channelizing the resources from less productive to more productive use create wealth. Through effective and efficient utilization of natural and national resources, they act as catalysts for economic development and also agents of social change and transformation. According to Joseph Schumpeter, the rate of progress of any nation depends upon its rate of innovation which in turn also depends on the 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 and consequences in some sense are right.

A catalyst is certainly needed which results in entrepreneurial activity to a much considerable extent. The diversity of activities that which characterizes rich countries can be attributed to the supply of entrepreneurs. They play a vital

role for the economic development of a country in the following ways:

1. **Formation of capital:** Entrepreneurs as such by placing profitable business proposition do attract investment to ensure private participation in the industrialization process. The otherwise idle savings are also channelized for investment in business ventures in turn provides return. Again the savings are invested giving a multiplier effect to the process of capital formation.

2. **General Job creators and job providers and not the job seekers:** With the globalization process the government jobs are shrinking thus leaving many unemployed. In these circumstances, the entrepreneurs and their enterprises are the only source and hope of direct and indirect employment generation. Employment is generated directly by the requirement of the large enterprises and also indirectly by ancillary and consequential developmental activities.

3. **Balanced regional development:** Entrepreneurs always look for opportunities in the working environment. They capitalize on the opportunities of governmental concessions, facilities and subsidies to set up their enterprises in undeveloped areas. Classic example is setting up of steel plant at Tata Nagar, Reliance Petrochemicals at Jamnagar (Gujarat) which



have resulted in the development of Good Township and peripheral regional development. Thus entrepreneurs reduce disparities and imbalances in development among regions where they operate.

4. Improvement in the standard of living:

Entrepreneurial initiatives taken by entrepreneurs through employment generation leads to increase in income and also purchasing power which is spent on consumption expenditure. Certainly increased demand for goods and services boost up industrial activity. Large scale production with technological advancements will result in economies of scale and low cost of production. Modern concept of marketing involves creating demand and then filling it. New innovation oriented and varying quality products at most competitive prices make common man's life smoother, comfortable and easier which are also contributions of entrepreneurial initiative.

5. National Self- reliance: Entrepreneurs are certainly the corner stores of national self-reliance. They help to manufacture indigenous substitutes to imported products which reduce the dependence on foreign countries. There is also wide possibility of exporting the goods and services to earn foreign exchange for the country. Hence, the export promotion and import

substitution ensure economic independence and the country becomes self-reliance.

6. Increase in per capita income: Entrepreneurs convert the latent and idle resources like labour, land and capital into goods and services resulting in increase in the national income and in turn wealth of a nation. The increase in national income is thus an indication of increase in net national product and per capita income of the country.

7. Planned Production: Entrepreneurs are considered and best judged as economic agents since they unite all means of production. All the major factors of production i.e., land, labor, capital and enterprise are all brought together to get the desired production. This will help to make use all the factors of production with perseverance, proper judgment and knowledge of the world of business. The least combination of factors is possible avoiding unnecessary wastage of resources.

8. Equitable distribution of economic power: The modern world is dominated by economic power. Also economic power is the natural outcome of business and industrial activity. 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 the dispersal of economic power into the hands of

many effective and efficient managers of new enterprises. Hence setting up of large number of enterprises certainly helps in awakening the evil effects of monopolies. Thus, the entrepreneurs are key to the creation of new enterprises that energize the economy and also rejuvenate the established enterprises that which make up the economic structure.

Effect of Globalization on Rural Entrepreneurship

Since globalization is a macro-concept and rural entrepreneurship is a micro-concept, occurring in a very limited area, it is very difficult to establish causal linkages, or to quantify the specific effects of globalization on rural entrepreneurship. However, it is possible to identify a range of different channels through which various aspects of globalization can be expected to change the welfare of rural entrepreneurship in India.

1) Productivity and efficiency effect

Globalization is often said to result in higher productivity, due to the access to global markets, abilities to specialize, and to take advantages of economies of scale and scope. Exposure to the global competition can result in high levels of productivity and efficiency. However, it is less crucial for large economies like India.

2) Economic growth effect

As already noted, the argument in favour of globalization is the positive link between globalization and rural entrepreneurship in India. Because the potential benefits include improved access to foreign technology and managerial expertise.

3) Technological effect

Transfer of technology is one of the prominent features of globalization and one of the major reasons for predicting improved growth.

4) Transformational and insecurity effect

Rural entrepreneurship is not always directly related to income. It can also refer to an intense level of insecurity. Many times those who have managed to improve their position are pressed back down again by natural disasters, inflation and other shocks.

5) Policy Government of India has, in a sense, discriminated against agriculture and those enterprises that depend upon it.

Benefits from rural entrepreneurship

Provide employment opportunities: Rural entrepreneurship as such is mainly labor intensive and certainly provides a clear solution to the growing problem of unemployment. Mainly the development of industrial units in rural areas through rural entrepreneurship has high potential for income creation and employment generation.

2. **Balanced regional growth:** Rural entrepreneurship can dispel the concentration of major industrial units in urban areas and also promote regional development in a balanced way

3. **Check on migration of rural population:** Rural entrepreneurship can fill the lacunae and big gap and also disparities in income for rural and urban people. Rural entrepreneurship will bring in or develop infrastructural facilities like roads, power, bridges etc. It can help to check the migration of people from rural to semi urban and urban areas in search of jobs.

4. **Promotion of artistic activities in rural areas:** The age-old rich heritage of rural India is preserved by promoting and protecting handicrafts and arts through rural entrepreneurship

5. **Check on social evils existing in society:** The growth of rural entrepreneurship can reduce social evils like growth of slums, poverty, pollution in cities etc

6. **Awaken the rural youth:** Rural entrepreneurship can awaken the rural youth and also expose them to various avenues to adopt entrepreneurship and promote it as a career

7. **Improved standard of living:** Rural entrepreneurship will also increase the literacy rate of rural population. Their education and self

employment will also prosper the community, thus increasing their standard of living.

Problems in Rural Entrepreneurship

Entrepreneurs certainly play very important role in the development of economy thus contributing to overall Gross Domestic Product of the nation. They face various problems in day to day life and work. As thorns are part of roses, in the same way flourishing business has its own kind of problems. Some of the major problems faced by rural entrepreneurs are as under:

1. **Financial Problems:** Some of the major financial problems faced by rural entrepreneurs as follows:

a. **Paucity of funds:** Due to absence of tangible security and credit in the market most of the rural entrepreneurs fail to get external funds. Also the procedure to avail the loan facility from the banks is too time consuming that its delay often disappoints the rural entrepreneurs. Lack of finance available to rural entrepreneurs is by far one of the biggest problems faced by rural entrepreneurs nowadays especially due to global recession. Some of the major difficulties faced by rural entrepreneurs include low level of purchasing power of rural consumer so sales volume is insufficient, reduced profits due to competition, lack of finance to start business, pricing of goods and services.

b. Lack of Infrastructural facilities: In spite of efforts made by government the growth of rural entrepreneurs is not very healthy due to lack of proper and adequate infrastructural facilities.

c. Rise Element: Rural Entrepreneurs have very less risk bearing capacity due to lack of financial resources and external support.

2. Marketing Problems

Competition: Rural entrepreneurs face stiff and severe competition from large sized organizations and urban entrepreneurs. They incur high cost of production due to high input cost. Problem of standardization and competition from large scale units are some of the major problems faced by marketers.

Middlemen: Middlemen exploit rural entrepreneurs. Rural entrepreneurs are heavily dependent on middlemen for marketing of their products who necessarily pocket large amount of profit. Poor means of transportation facilities and storage facilities are also other marketing problems in rural areas.

3. Management Problems

a. Lack of Knowledge of I.T: Information technology as such is not very common in rural areas. Entrepreneurs rely on internal linkages that which encourage the flow of services, goods, ideas and information

b. Legal formalities: In complying with various legal formalities and in obtaining licenses rural

entrepreneurs find it extremely difficult due to ignorance and illiteracy.

c. Lack of technical knowledge: Rural entrepreneurs to a major extent suffer a severe problem of lack of technical knowledge. Lack of training facilities and other extensive services create a hurdle for the development of rural entrepreneurship.

d. Poor quality 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 other equipments as well as poor quality of raw materials.

4. Human resource Problem

a. Low skill level of workers: Most of the entrepreneurs working in rural areas are unable to find workers with high skills. In this case turnover rates are also high

b. Negative attitude: Sometimes environment in the family, society and support system is not much conducive enough to encourage rural people to take up entrepreneurship as a career. It may be certainly due to lack of awareness and knowledge of entrepreneurial opportunities.

Remedial measures to solve the problems faced by rural entrepreneurs

a. Creation of finance cells: Banks and financial institutions which provide finances to

entrepreneurs must create special cells for providing easy finance to rural entrepreneurs

b. Concessional rates of Interest: On easy repayment basis and at concessional rates of interest the rural entrepreneurs should be provided finances. The cumbersome formalities should necessarily be avoided in sanctioning the loans to rural entrepreneurs.

c. Offering training facilities: Training is essential for the overall development of entrepreneurs.

d. Power supply of raw materials: Rural entrepreneurs should be surely ensured of proper supply of scarce raw materials on a priority basis. Subsidy may also be offered at times to make the products manufactured by rural entrepreneurs reasonable and cost competitive.

e. Setting up marketing co-operatives: Proper assistance and encouragement should be provided to rural entrepreneurs for setting up marketing co-operatives. These co-operatives shall help in getting various inputs at reasonable rate and they are helpful in selling their products at remunerative prices.

Effect on Globalization on Rural Entrepreneurship

It is quite very difficult to establish casual linkages or to quantify the specific effects of globalization on rural entrepreneurship since globalization is a macro concept and rural

entrepreneurship is a micro concept occurring in a very limited area.

- 1. Productivity and efficiency effect:** Due to its access to global markets, abilities to specialize and also to take advantages of economies of scale and scope globalization is often said to result in higher productivity. Indeed exposure to global competition can certainly result in high levels of productivity and efficiency.
- 2. Economic growth effect:** Currently the argument in favour of globalization is the positive link between globalization and rural entrepreneurship in India. Because potential benefits certainly include improved access to managerial expertise and foreign technology.
- 3. Technological effect:** Today one of the prominent features of globalization and one of the major reasons for predicting improved growth is transfer of technology. Formerly many small rural entrepreneurs saw major improvements in their businesses, but to a certain extent improvements were in a very limited area and also to a very limited number of entrepreneurs.
- 4. Distribution effect:** It is not possible to gauge the overall effect of globalization on the level of inequality; the effect and aftermaths on women entrepreneur in rural area is less ambiguous.
- 5. Transformational and insecurity effect:** Rural entrepreneurship as such is not always directly

related to income. It can also refer to an intense level of insecurity. Many times those who have managed to improve their position are pressed back down again by natural disasters, inflation, deflation and other shocks.

Challenges faced by rural entrepreneurship in India

1. Family challenges
2. Social challenges
3. Technological challenges:
4. Financial challenges
5. Policy challenges:

Remedies to solve problems in rural entrepreneurship

1. To provide loans at concessional rate of interest
2. Creation of finance cells
3. Setting up marketing co-operatives
4. Supply of raw materials
5. Offering high quality training facilities

CONCLUSION

Rural entrepreneurs are certainly acted as a key figure in economic progress of India. They play a vital role in converting developing country into developed nation. In the global market a country's economic policy environment must always be favorable for an organization to achieve efficiency. Economic policy of a country should also enable entrepreneurs to provide magical touch to an organization irrespective of public, private or joint sector in achieving

innovativeness, speed, flexibility and also strong sense of self determination. Rural entrepreneurship however is the best answer for removal of rural poverty in India. Hence government should stress and emphasize more on integrated rural development programs. Also majority of the rural youths do not think of entrepreneurship as a career option. Hence organizations and government should come with training and sustaining support systems providing all necessary assistance so that rural youth can be motivated to take up entrepreneurship as a career. Besides there should also be efficient regulated markets and governments should also lend its helping hand in this context. Standardization and grading should be promoted, and also promotional activities should be enhanced to encourage rural entrepreneurs. NGO's should also be provided full support by the government. In the present context study of entrepreneurship helps entrepreneurs not only to fulfill their personal needs but also help in economic contribution of new ventures. More than increasing the national income by creating new jobs, rural entrepreneurship also acts a force in economic growth by serving as a major bridge between innovation and marketplace.

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