

# A Study on Impact of Social Background to Rural Entrepreneurship

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**Abstract:** Rural India is undergoing extensive transformation at surficial level. Labor productivity is drastically different in agriculture and nonagricultural sectors. Agricultural growth has not responded to the accelerating income growth and agricultural employment is growing slowly. Contribution of agriculture to GDP has definitely come down but people depending on rural sector have not come down. It is the rural non-farm sector that has emerged as the major source of rural economy and employment growth. For years the notion of rural entrepreneurship has received enormous universal recognition across the developed and developing countries because of its effect on economic growth, regional development, employment creation and sustenance. Consequently the need for study on rural entrepreneurship has got importance. Therefore the present study intends to know about who takes up entrepreneurial activities in rural areas and their social background. This was an empirical study based on data collected from rural entrepreneurs located in Bangalore rural district, Devanahally taluk on survey method. Analysis of collected data has been done through percentage statistical method. Indicators such as gender, education, age, family background were used to identify the social backgrounds of the rural entrepreneurs. The study found that education of rural entrepreneurs were very less, middle age entrepreneurs and male dominated entrepreneurs were more and majority of the rural entrepreneurs were running business with the help of family members.

**Key words:** Development, Entrepreneurship, Non-farm Sectors, Rural Entrepreneurs, Social Background.

## 1. INTRODUCTION:

Rural India is undergoing extensive transformation at surficial level. In spite of fast-tracking economic growth, the structural transformation of the Indian economy has been slow. Labor productivity is drastically different in agriculture and nonagricultural sectors. Labor preoccupation in the urban economy in the manufacturing sector has been low. Formal sector jobs are insufficient and decreasing as a portion of employment. As a magnitude and collective with rapid population growth the labor force in the rural areas is still growing fast. Agricultural growth has not responded to the accelerating income growth and agricultural employment is growing slowly. Contribution of agriculture to GDP has definitely come down but people depending on rural sector have not come down. It is the rural non-farm sector that has emerged as the major source of rural economy and employment growth. Rural non-farm self-employment and incomes are growing very fast. Studies show that the non-farm sector actually acts as a safety net especially in regions of declining agricultural productivity.<sup>1</sup> For years the notion of rural entrepreneurship has received enormous universal recognition across the developed and developing countries because of its effect on economic growth, regional development, employment creation and sustenance. In other words rural entrepreneur is considered as a vital player in the economy and a catalyst for economic transformation and development. Consequently the need for study on rural entrepreneurship has got importance. Therefore the present intends to know about who takes up entrepreneurial activities in rural areas and their social background.

## 2. PROBLEMATIZATION:

Equipping ourselves with the literature on entrepreneurship in general and rural entrepreneurship in particular is essential to understand the complex scenario of non-farm entrepreneurial activities. Entrepreneurship is a multidimensional phenomenon that cuts across disciplines. With the advancement of science and technology it has undergone transformation and emerged as a critical input for socio-economic development. Wennekers and Thurik's definition of entrepreneurship may reveal the comprehensive and multidimensional facets of entrepreneurship. "Entrepreneurship is the manifest ability and willingness of individuals, on their own, in teams, within and outside existing organizations, to perceive and create new economic opportunities (new products, new production methods, new organizational schemes and new product-market combinations) and to their ideas in the market, in the face of uncertainty and other obstacles, by making decisions on location, form and the use of resources and institutions".<sup>2</sup> In the past French economist, Cantillon observed that the entrepreneur is a self-employed individual who bears risk and provides for own economic satisfaction. He had given one more definition that was, "An entrepreneurs is a person who buys factor services at certain prices with a view to selling its product at uncertain prices".<sup>3</sup>

With respect to the social background education plays important role for entrepreneurs. The educational level of the entrepreneur has also received significant research attention. Formal education is not necessary for starting a new business. But the ability to communicate clearly in written and the spoken form is important in any

entrepreneurial activity. According to National Knowledge Commission, "education is indispensable for skill development and fundamental to entrepreneurship and innovation. The ability to innovate and generate commercially valuable new products and processes can only take place in environments that encourage experimentation and value addition."<sup>4</sup> To quote the economist, T. N. Srinivasan, 'Innovation and Entrepreneurship is a two-way relationship. In one sense, in innovation, someone finds something but that somebody may not be equipped to translate that something into a commercial proposition. That is where Entrepreneurship comes in.'<sup>5</sup> Supporting this view, Unger, Rauch, Frese and Rosenbusch reiterate that a very high standard of education increases individuals' potential to spot and exploit business opportunities and provide the necessary capacities to further receive better prior knowledge and to accumulate new skills and knowledge.<sup>6</sup>

Age of the entrepreneur has both positive signs as well as negative influences of uncertainties in order to start entrepreneurship and start-up businesses. Von Broembsen based on his study on developing countries such as Brazil and Greece commented that the rate of business ownership has shown significant increase and over 10% of the adult population in those countries are owners and managers of existing business ventures.<sup>7</sup> Moreover, as indicated by Bluedorn and Martin, entrepreneur's age is not only essential for business operations but it also provides adequate indications of the depths of experience and the ability of the entrepreneur to properly manage the level of work related stress. Older entrepreneurs are able to experience lesser stress levels despite the fact that individuals' age cannot be controlled. The older the entrepreneur the lesser life stress and the greater the individual experiences and capacity for work. Flexibility and the ability to pursue other changing activities are some of the greatest recipes for the engagements into entrepreneurial activity are naturally come at older age.<sup>8</sup>

Demographic traits and gender have in recent years received growing focus in entrepreneurial surveys. Djankov, Qian, Roland and Zhuravskaya, viewed, in all the societies' gender differences exist and influence either positively or negatively entrepreneurship. In a recent study in Brazil, China and Russia where it was proven that demographic and sociological profiles influence entrepreneurial activity in developing countries.<sup>9</sup> According to Rasheed there are disparities in entry, re-entry and repositioning of small enterprises based on social factors, and especially the owner's characteristics. Gender, age, education and ethnicity have all been suggested to influence entrepreneurial performance.<sup>10</sup> Robichaud et al, believe that there is social difference between masculine and feminine behaviours and eventually males and females tend to acquire distinctive skills. These differences skills lead to gender-specific entrepreneurial behaviours.<sup>11</sup> Gadgil and Singer found that the joint families are more amenable for the growth of entrepreneurs. Joint families provide undivided family property to invest in and expand the family firm.<sup>12</sup>

Family occupation and inter-generational occupational mobility are addressed in a study by Khank which shows that there is a high propensity for the members of the next generation to choose an occupation related to business and industry if the first generation belonged to the same occupation. By superimposing age and family background one could locate a segment of entrepreneurs who have inherited a business legacy through familial links in terms of tangible and intangible assets as well as the appropriate environment and expertise at a young age.<sup>13</sup> Researchers like Stathopoulou et al. argue that the process of entrepreneurship in village locations is the same as in urban centers. Nevertheless, the rural social and economic environment imposes specific challenges and opportunities that finally change the outcome of entrepreneurial efforts. The success of the entrepreneur in the rural area is determined by specific environmental circumstances as well as characteristics of the entrepreneur. Overall rural areas typically suffer from resource scarcity, inadequate infrastructure, small markets and limited presence of human and financial capital compared to urban areas.<sup>14</sup> Such non-farm incomes contribute significantly to total incomes of farming households in developing societies. Unfortunately this part of rural development has not attracted the attention of scholars. Neglect of rural entrepreneurial process has been highlighted by Sarasvathy, when she made an observation that unfortunately the increasing interest in entrepreneurship in cities has left rural areas under-researched.<sup>15</sup>

It is clear from the above literature that entrepreneurship and rural entrepreneurship are not unproblematic. The first problem is that the large part of the literature on entrepreneurship focuses on urban entrepreneurs, their characteristics, their social backgrounds and their psychological traits. It is not the fault of the researchers working on entrepreneurship. It is the problem of definition of development which gives secondary role or supporting role to rural development. All these gaps in the existing researches force us to raise a number of questions on the existing body of knowledge on rural entrepreneurship. What are the exact traits of rural entrepreneurs? Generally who become rural entrepreneurs? What are the social backgrounds of rural entrepreneurs? In order to answer all these questions an extensive and in depth study is needed. This study is an attempt in that direction and attempts to examine the background of rural entrepreneurs.

### 3. OBJECTIVES OF THE STUDY

- To understand the ideal picture of social background of rural entrepreneurship
- To compare the ideal picture of social background of rural entrepreneurship with the empirical evidences of present study
- To analyze the similarities and differences between the ideal with present study.

#### 4. METHOD OF THE STUDY

This is an empirical study based on data collected from rural entrepreneurs located in Bangalore rural district. District was selected based on the level of development. Two documents produced by the Government of Karnataka were used to decide the level of development. They are - one, High Power Committee for Redressal of Regional Imbalances Report, 2002<sup>16</sup> and two, Human Development Report, 2014.<sup>17</sup> These reports have taluk-wise data on all the socio-economic indicators. Based on these data Devanahally taluk was selected for the study. Data was collected using a semi-structured questionnaire through a survey method. The questionnaire was distributed to the respondents through personal visit. Questionnaire contained totally 25 questions on social background of rural entrepreneurs. On the basis of convenient sampling 10 rural entrepreneurs were interviewed. Collected data were processed and tabulated by using the

Percentage method. Indicators such as education, age, gender, family background were used to identify the socio backgrounds of the rural entrepreneur.

#### 5. ANALYSIS OF DATA:

##### 5.1. EDUCATION

Table A: Showing an Education of an Rural Entrepreneurs

Indicators	Number	Percentage
Below SSLC	02	20
SSLC	02	20
Pre university	04	40
Below Degree	02	20
Total	10	100

Resource: Researcher's Field Survey

Table -A shows educational qualification of rural entrepreneurs at the time of commencement of business. It provides details like, 20 percent of rural entrepreneurs did not complete SSLC, and similarly, 20 percent of rural entrepreneurs have stepped out to SSLC. Majority of 40 percent of rural entrepreneurs are in the stage Pre University and remaining 20 percent of rural entrepreneurs had stepped out to graduate. Most of the rural entrepreneur's educational qualification is below pre university level, because of family responsibilities; they ended up in frustration and started their search for a different vocation. And in a few cases their own realization that formal education was not their cup of tea! And prominent being inability to pass critical examinations.

The role of education in the emergence of entrepreneurs and also in running the ventures is established by the above data. However our system of education has a different story to say. After seven decades of independence even now many are struggling to get basic facilities such as food, shelter, health and education. Concentration of wealth and power in the hands of a few created this lopsided development. R. Bandopadhyaya says educational investment in many developing countries has a tendency to enhance far more power of those who already have social and economic advantages than it does the power position of those who do not have these.<sup>18</sup> Continuing this argument Chandra Poojary, expressed, educational dualism is an inevitable part of the capitalist socio-economic formation. In a capitalist socio-economic formation whether developed or developing education is also a commodity to be bought and sold. It is not the individual or social requirement which determines the type of education one should get, rather it is the purchasing power one possesses that actually determines the type and quality of education one can get.<sup>19</sup>

When we discuss educational background of entrepreneurs we normally tend to focus on general education. General education is important but it is not necessary to start and run a venture. At the same time it is also true that a person with entrepreneurial education can get clear idea in commencing business, getting finance, and marketing of goods and so on. But it is not necessary that to start a small business or entrepreneurship, entrepreneurial education is must. Venture initiation, running or managing it and succeeding in entrepreneurial ventures depend on a number of factors such as skills of entrepreneurs, family background, motivation, interest in taking challenge or risk and basic education of read and write. In particular for rural entrepreneurs basic education is more important and need of the hour. Education may be in the form of informal or formal. The informal form of learning lays importance on the early role models and reinforcement patterns. Both of them helps the entrepreneurs to acquire and sustain entrepreneurial behaviour. Role models could be parents or peer groups that provide socialization training in entrepreneurship. Formal education is also positively correlated with entrepreneurship.

##### 5.2. AGE

Table B: Showing an Age at the time of commencement of business

Age in Years	Number	Percentage
16 – 20	-----	-----
21 – 25	02	20
26 – 30	02	20

31 – 35	04	40
36 and above	02	20
Total	10	100

Resource: Researcher's Field Survey

Table -B shows that none of entrepreneurs had started business at an early age. And majority of rural entrepreneurs have business at the age of 31 – 35. Our findings do not go with the findings of western studies. Most of the studies on the age of entrepreneurs in western societies say older entrepreneurs will start business easily and manage business with their experiences. In India people at young age enter into business. It is true that individuals between 25 and 44 years are more entrepreneurially active. Finding from another study in India disclosed that successful entrepreneur were relatively younger in age (Singh).<sup>20</sup> GEM Report 2014 reveals some facts on age factor. Report says that in India adults are generally positive about entrepreneurship. 58 percent of Indian adults consider entrepreneurship a desirable career choice. Around 66 percent think that entrepreneurs receive a high level of status and respect. Report also discloses the fact that in India more entrepreneurs are in the age group of 18 and 44 years. About one third (34 percent) of the early entry entrepreneurs are women. Most of the individuals who come early into business are those who have no other option but to start some non-farm activities. They account for 32 percent of early entry entrepreneurs. It is also true that while 37 percent of early entry entrepreneurs are improvement-driven or in pursuit of a business opportunity. In this way our experience compares with the experiences of China. In China 33 percent come to business out of compulsion and 45 percent start business with the intention of increasing their earnings.<sup>21</sup>

### 5.3. GENDER

Table: C showing the Gender of Rural Entrepreneurs

Indicators	Number	Percentage
Male	06	60
Female	04	40
Total	10	100

Resource: Researcher's Field Survey

Table C depicts that 40 percent of rural entrepreneurship is run by male rural entrepreneurs. In Devanahally taluk comparatively more female entrepreneurs are found. The reason could be Devanahally taluk is nearer to the Bangalore city and Bangalore airport. Most of the male entrepreneurs are busy in real estate business or in other kinds of business which fetch them hefty profits. Male members who have better entrepreneurial skills are not interested in less profit earning non -farm activities. So the non-farm activities are left open to all and women might have taken advantage of this condition. However majority of studies says that most of the rural entrepreneurship was male dominated. Studies by United Nations Industries Development Organization (UNIDO) say women entrepreneurs in rural areas are limited. Women fail to run competitive businesses because they lack adequate education and skills which generally limit their ability to access various support services.<sup>22</sup> As a cultural outcome, most of the rural enterprises owned by women are smaller in terms of size, number of employees or revenue compared to those owned by men. Also women are said to invest less in terms of capital and technology when starting new business.<sup>23</sup> People who are marginalized in the society such as women, ethnic minority groups, the disabled and those in rural areas may find it harder when they attempt to start a business.<sup>24</sup> However the present study depicts the picture of male domination as well as major female participation also.

### 5.4. FAMILY BACKGROUND

Table D: Showing family Background of Rural Entrepreneurs

Indicators	Number	Percentage
Family	06	60
Friends	02	20
Relatives	02	20
Total	10	100

Resource: Researcher's Field Survey

Table - D depicts that 60 of rural entrepreneurs had started business with the help of their family members and remaining 20 percent had taken help from friends and relatives respectively. Most of the firms in India are family owned and most of them started by traditional business communities. These communities have maintained their joint family structure intact and took advantage of the modernization processes. An efforts of the state to widen the social base of entrepreneurs motivated majority of the entrepreneurs. Along with other things the initiative included

measures such as providing finance at cheaper rate of interest, providing land, water and other facilities. These measures have attracted entrepreneurs from other than business communities. Most of these entrepreneurs came from nucleus family background. In-fact this study also shows more or less the same pattern in the case of family.

## 6. CONCLUSION:

In this paper we have examined the social background of the rural entrepreneur. We have used indicators such as education, age, gender and family background to understand the social background of the rural entrepreneurs. Educational background of rural entrepreneurs is relatively better than the literacy rate of the general population of the rural areas. Leaving a small number of entrepreneurs almost all the rural entrepreneurs were literate. But their educational attainment is not that great. Most of the entrepreneurs had education between lower primary and secondary school leaving certificate. Only a few rural entrepreneurs had pre-university and degree education. Rural entrepreneurs representing historical hierarchy in the gender background of the rural entrepreneurs which is showcasing the age old gender hierarchy. Compared to male entrepreneurs less number of female entrepreneurs could be seen. Another indicator used to examine the social background of the rural entrepreneurs was age. The study found that more number of individuals entered into entrepreneurial activities at their young (below the age of twenty one years) and middle ages (between thirty one and fifty five years of age). Very less number of individuals entered into entrepreneurial activities at above the age thirty five years. It is also important to note most of the rural entrepreneurs were running business with the help of family members. Therefore we could conclude that a person with little education, either male or female, in early age or in middle age and with or without the support of family members can start business and can become rural entrepreneurs.

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