

Rural Entrepreneurship in India: Performance and Problems

¹Dr. Aarti Deveshwar, ²Saloni

¹ Associate professor, ² Research scholar,

^{1,2}Deenbandhu Chhotu Ram University of Science and Technology, Murthal, Sonapat, Haryana.

Email – ¹artideveshwar.mba@dcrustm.org. ²psaloni560@gmail.com

Abstract: Rural entrepreneurs can be defined as those who indulge in entrepreneurial activities by setting up industry and new venture in the rural area. Entrepreneurship is an important tool in the development of any economy. It gives boost to the regional development and employment generation. Rural entrepreneurship plays important role in the development of Indian economy. Now a day's rural entrepreneurship offers great opportunities for those who are otherwise forced to leave rural areas and move to urban cities for their livelihood. As three fourth population of India live in the villages. Major sources of income for the rural population are agriculture and allied activities. Entrepreneurship is the rational answer to the problem of migration, poverty, economic disparity, unemployment and to develop backward area. Present study will focus on the different types of the rural entrepreneurs, the performance of the rural industries and issues facing rural entrepreneurs in India.

Key Words: Rural Entrepreneurship, Performance, Problems and Rural Industries.

1. INTRODUCTION:

Mahatma Gandhi said that "India Lives in its villages". As three fourth population of India is living in the village. Economic development of the nation can be possible by the development of the rural area and by improving standard of living of the rural population. Entrepreneurship is the rational solution to the problem of migration, poverty, economic disparity, unemployment and to develop backward area. To stimulate the country's economy, it is necessary to better the employment situation. According to the Center for Economic Monitoring of India, the unemployment rate was 7.91% in December 2021, lower than 6.57% in January 2022 and increased to 8.10% in May 2022. In February 2022, Rajasthan's unemployment rate led at 32.3% followed by Haryana at 31.0%. In India, the total number of unemployed people is 53 million as of December 2021. Major sources of the income for the rural population are agricultural and allied activities. As land is limited for agriculture, it is not possible to provide employment to whole rural population. So it is essential to develop rural industries to provide employment and lower down the rural migration to cities. Government of India comes up with various schemes for the promotion of the rural entrepreneurship. These schemes are helping rural entrepreneurs in achieving their goal (Prasad and Naveena, 2021).

Rural entrepreneurship emerged as changing concept. It involves innovation, motivation, thinking ability and risk taking ability (Sathya, 2019). Rural entrepreneurship is necessary input for the economic and regional development of the country (Lavanya et al. 2014). Entrepreneur can be define as a person, who own and operate a business, who is willing to take risk, who exploit market opportunities, who fill the gap between supply and demand, who create new product, new market, find new source of supply and new form of organization (Sathya, 2019). Rural entrepreneurs are those who indulge in entrepreneurial activities by establishing industry and business in the rural area. Rural industries also have important role in the rural development and national economy. Khadi and Village Industries Commission (KVIC) define village industry as rural industry or village industry can be any industry which is located in rural areas, population of these areas does not exceed 10,000 or such other figure like. It produces any goods or provides any services with or without the use of power and in which the fixed capital investment per head of an artisan or a worker does not exceed thousand rupees. Some basic principles for the rural development given by different scholars are:

- Proper utilization of local resources through business activities and better distribution of the agricultural products result in rural society.
- Entrepreneurial activities reduce discrimination and provide employment opportunities to combat the rural migration.
- Activate system to provide basic '6 Ms' - Money, Manpower, Material, Machinery, Market and Management to the rural people.

2. REVIEW OF LITERATURE :

Saxena (2012) tried to identify the different problems faced by the rural entrepreneurship in India and the possible solutions to these problems. The paper discussed the problems like shortage of finance, lack of technical education, non availability of raw material, fear of failure, lack of risk taking abilities, lack of training and unawareness of marketing and competition. Author suggest remedies for these problems were establishing marketing cooperatives, providing training facilities, ensuring proper supply of raw material, setting up special financial cell for entrepreneurs and offering concessional rate of interest.

Patel and Chavda (2013) investigated the issues and challenges for the rural entrepreneurship. The study examined the key issues for the rural entrepreneurs in the field of financial amenities, marketing and other basic facilities. The study revealed that entrepreneurs have to face many problem and challenges for the finance, marketing, technical knowledge, Education etc.

Jebadurai (2013) studied the issues faced by the rural entrepreneurs in India and possible solution to these problems. The conclusion of the study revealed that there are many challenges for an entrepreneur like shortage of finance and raw material, purchasing power of rural people and competition. Author indicated some solution to these problems like giving education to the rural population about entrepreneurship, provides finance at lower interest rate and government support for establishing new venture.

Khare and Gautam (2014) tried to examine the problems and opportunities for rural women entrepreneurs. Authors concluded that women entrepreneurs faced same problems as men but with these problems they have more difficulties like society problems, family restriction, children and lack of confidence. Study suggested that government and society need to change their view point for women entrepreneurs. They need external and internal support and encouragement.

Kushalakshi and Raghurama (2014) studied the importance and problems of the rural entrepreneurs in India. They also studied the performance of the rural industry. The research was based on the secondary data type. Conclusion of study showed that the entrepreneurial activities have been increased during the given time period. Rural entrepreneurship requires support from the government as well as from the society.

Lavanya et al (2014) studied the recent development in rural entrepreneurship and issues and opportunities for the rural entrepreneurs. Study examined the institution promoting rural entrepreneurship and their role in development of rural entrepreneurship. This was a review based study. The conclusion showed that rural entrepreneurship play a vital role in the development of developing country and institutions need to give attention to the innovation, education and entrepreneurship.

Gandhi (2016) tried to provide insight about the meaning and trends of entrepreneurship. Author discuss about the challenge and opportunities for entrepreneurs in India. Recent trends were innovation, mobile penetration, women entrepreneurs, co-branding and close connection with customer. Challenges were lack of finance, location, infrastructure and hiring challenge. Conclusion suggests that there were many opportunities like large population, demographic dividend and various government schemes for entrepreneurs.

Gautam and Mishra (2016) analyzed the issue and challenges faced by the rural women entrepreneurs in India. They focus on the factors that influence the women to become entrepreneurs and support of government to women entrepreneurs. The conclusion of the study revealed that by supporting the women to become entrepreneurs would help in the development of the rural economy. Development of the women entrepreneurs can be done through the assistance from various groups such as government, family members and male colleagues and financial agencies.

Jayabal and Soundarya (2016) studied the opportunities and challenges for the rural entrepreneurship and its importance in India. The conclusion showed that rural entrepreneurs are willing to and ready to face challenges to start new venture. They require some support from the government and other groups that affect the progress of the business. The study revealed that rural entrepreneur is a important factor for the development of India.

Jayadatta (2017) analyzed the role and benefits of rural entrepreneurship for the economy of country and discussed about the issues and challenges faced by rural entrepreneurs. It also studied effect of globalization on rural entrepreneurship. The result of the study revealed that government should provide assistance and support to the rural youth so that they can initiate to start any venture in the rural area.

Sathya (2019) examined the importance of the rural entrepreneurs in the development of Indian economy and their benefits to the rural people. This study also analyzed the challenges, problems in the rural entrepreneurship and solution to these problems. The research was based on the primary as well as secondary data. Conclusion of the study revealed that rural entrepreneurship plays a vital role in the economic progress of the country. As there are many problems and challenges for the rural entrepreneurs in India so government has to form such type of economic policy which helps small and rural industries, motivate them to take risk and to take some effort to start new ventures.

Prasad and Naveena (2021) analyzed the challenges in rural entrepreneurship and remedies for the problems in India. Study focused on the effect of globalization on the rural entrepreneurship. Study discussed problems like finance,

marketing, risk factor, infrastructural facilities and management problems. Authors suggested that government have to form such type of schemes that will help the rural youth to establish new business easily.

3. OBJECTIVES:

- To know different type of rural entrepreneurship.
- To examine the performance of rural industries.
- To analyze problems faced by rural entrepreneurs.

4. DATA AND METHODOLOGY:

The nature of the study is descriptive. This research is based on the secondary data that was collected from journal, books, annual report and website.

5. TYPES OF RURAL ENTREPRENEURSHIP:

Village or rural industries can be classified into various categories:

- **Agro Based Enterprises**

As name suggested, this category involved in the direct selling and processing of agro products such as sugar industry, jiggery, processing oil from oil seed, spices, fruit juice and dairy products.

- **Mineral Based Industry**

This category includes stone crushing, cement industry, wall coating powder.

- **Forest Based Industry**

This industry include beedi making, coir industry, wood products, bamboo products, honey making etc.

- **Handicrafts**

This category include artistic and craft items made of wood, jute, glass, bamboo etc. toys, antiques and traditional decorative also covered under handicraft.

- **Textile Industry**

This industry includes activities relating to weaving, spinning, colouring and bleaching.

- **Engineering and Services**

This category includes equipments and tools used for the agriculture such as pump sets, pipes and fitting, tractors, repair tools etc.

6. PERFORMANCE OF VILLAGE AND RURAL INDUSTRY:

Rural and village industry is main source for the solution of unemployment, rural migration, regional disparity and poverty. These industries will help the rural people to get employment at their area and upgrade their standard of living. Government provides different types of support particularly for this type of industry. So it is important to examine the performance of these industries.

Table 1: Performance of village and rural industry

Year	Production (Rs. crore)	Sale (Rs. crore)	Employment (lakh person)
2001-02	7140.52	8383.49	54.16
2002-03	8126.30	9615.71	57.87
2003-04	9263.98	11000.00	62.58
2004-05	10458.89	12487.35	68.14
2005-06	11915.54	14647.33	74.09
2006-07	13527.19	18888.21	80.08
2007-08	16134.32	20819.09	90.11
2008-09	16753.62	21948.59	94.41
2009-10	17508.00	23254.53	98.72
2010-11	19198.85	24875.73	98.72
2011-12	21135.06	25829.26	103.65
2012-13	17448.31	20320.73	111.04
2013-14	25298	30073.16	119.4
2014-15	26689	31965	123.19
2015-16	33424.62	40384.56	126.76
2016-17	41110.26	49991.61	131.84

2017-18	46454.75	56672.22	135.71
2018-19	56167.04	71076.96	142.03
2019-20	65343.07	84664.28	147.76
2020-21	70330.66	92213.65	154.09

Source: compiled from various issues of MSME annual reports.

The table 1 shows the performance of rural and village industry in the terms of the production, sale and employment from 2001-02 to 2020-21. Production of rural or village industry was Rs. 7140.52 crore in 2001-02 which increased to Rs. 70330.66 crore in 2020-21. It showed decline in 2012-13. This can be due to decrease fund allotted in the budget. Same trends had shown in the sales of village industry, because it depends on the production and market. In case of employment in the village industry indicates increasing trends, it raises from 54.16 lakh person in 2001-02 to 154.09 lakh person in 2020-21.

7. ISSUES IN RURAL ENTREPRENEURSHIP:

Entrepreneurship is not an easy task. It requires risk taking abilities, proper facilities, working environment and government support. But when anyone thinks about the starting any venture in the rural area he or she have to face many problems. Some of the problems are discussed as below:

Finance Problem:

Finance is the backbone of any business. The main obstacle in the success of rural entrepreneurs is not having adequate fund for their business. An entrepreneur needs finance to start any business or venture. This financial support from financial institutions will helpful in the smooth conduct of the business, but rural youth face more difficulties in raising the capital (Patel and Chada, 2013). The reason may be non availability of tangible securities to the rural people. Non availability of the collateral security becomes biggest obstacle in the obtaining the fund and all this force rural entrepreneurs take credit from village money lenders, the give money at a very high interest rate.

Education Problem

Entrepreneurship requires education for understanding the need of the business. Proper knowledge of new technologies and technical education are very important for a business. To start any business it requires knowledge of market and supply sources available for the business (Jebadurai, 2013). Lack knowledge of entrepreneurial opportunities also found in the rural youth which force them to migrate in urban area.

Lack of Infrastructural Facilities

In rural area infrastructural facilities are very poor. Lack of road facility, water, electricity supply, market, street lighting, storage facility and communication hamper the smooth running of the any business activities (Das, 2014).

Lack of Technical Education

Lack of technical education is a major problem for rural entrepreneurs. This is because they have less education about the technical changes and lack of proper training and extensive services becomes an obstacle to the development of the rural entrepreneurs (Saxena, 2012).

Low level of enterprising skill

Due to lack of risk bearing capacity in the rural entrepreneurs makes them reluctant to involve oneself in business activities. Lack of creative thinking and inclination toward wage employment are also some reasons which restrict the growth of rural entrepreneurship (Kumbhar, 2013).

Fear of investment in the business

A rural entrepreneur has low risk taking ability. It can be due to non availability of financial facilities and support from government and society that limits their investment in businesses in rural areas (Sharma at el, 2013).

Scarcity of skilled labours

In the competitive world it requires highly skilled workers. But they prefer to work in the metro cities because they got high wages in comparison to the rural area. So it becomes a problem to get skilled labours for the rural entrepreneurs (Sharma at el, 2013).

Adverse social, cultural and industrial environment

Cast system, religious superstitions, and social evils, restrict the development of adventurous spirit. Less expertise and low skills in labour, tendency of migration to urban area and customer perception to purchase products manufactured by the reputed companies are some problems for rural entrepreneurships (Saxena, 2012).

Low quality products

Now days customers prefers to purchase quality products. But due to low technology, less finance and other problems, it is not possible for rural entrepreneurs to produce high quality product. Production of high quality products requires standardized tools and equipments and high quality of raw materials which is also create difficulties for an entrepreneur (Das, 2014).

8. CONCLUSION:

Rural industry plays a very important role in the development of national economy and it is also a main source for the boost of rural economy. Rural entrepreneurship is vital tool for generating employment and opportunities. It also helps to start small business with low finance and increasing real income of rural people. Rural industries help in the development of the agriculture sector and contribute in the growth of the urban industries. With the proper promotion and motivation to the rural entrepreneurship, we can solve the problem of poverty, unemployment, rural migration and regional disparity. As government provide many types of support and assistance to the rural entrepreneurs but still there are many things that required to promote and encourage rural youth. Technical education, financial support, proper training, social recognition and women empowerment policies are required to increase their self confidence and moral. An entrepreneur should be aware of the recent development in entrepreneurship, challenges and opportunities which guide them to make change according to demand of business.

REFERENCES:

1. Das, D.C. (2014). Prospects and Challenges of Rural Entrepreneurship Development in NER-A Study. *International Journal of Humanities & Social Science Studies (IJHSSS)*, 1(3), 178-182.
2. Gandhi, P.M.M. (2016). Entrepreneurship Challenges and Opportunities in India. *International Journal of Advanced Scientific Research & Development*, 3(10), 91-94.
3. Gautam, R.K. and Mishra, K. (2016). Study on rural women entrepreneurship in India: Issues and Challenges. *International Journal of Applied Research*, 2(2), 33-36.
4. Jayabal, G. and Soundarya, M. (2016). Opportunities and Challenges of Rural Entrepreneurship in India. *Asia Pacific Journal of Research*, I(XLI), 33-36.
5. Jebadurai, D. J. (2013). An Overview of Problems of Rural Entrepreneurs in India. *International Journal of Advanced Research in Management and Social Sciences*, 2(7), 202-208.
6. Khare, S.K. and Gautam, L. (2014). Rural Women Entrepreneurship in India: Challenges and Opportunities. *African Journal of Business Management*, 8(7), 235-237.
7. Kumbhar, V. (2013). Some Critical Issues of Women Entrepreneurship in Rural India. *European Academic Research*, 1(2), 192-200.
8. Kushalakshi and Raghurama, A. (2014). Rural Entrepreneurship: A Catalyst for Rural Development. *International Journal of Science and Research (IJSR)*, 3(8), 51-54.
9. Lavanya, S.M., Hemalatha, S. and Indumathi, V.M. (2014). Perspectives of Rural Entrepreneurship In India. *SAMZODHANA- "Journal of Management Research"*, 3(7), 95-100.
10. Manshani, S. and Dubey, A. (2017). Startup Women in Startup India: A Study of Women Entrepreneurs in India. *International Journal of Business and General Management (IJBGM)*, 6(4), 91-100.
11. Patel, B. and Chavda, K. (2013). Rural Entrepreneurship in India: Challenge and Problems. *International Journal of Advance Research in Computer Science and Management Studies [IJARCSMS]*, 1(2), 28-37.
12. Prasad, B.V. and Naveena, L. (2021). A Study on Problems and Challenges of Rural Entrepreneurs in India. *Shanlax International Journal of Management*, 8(1), 13-20.
13. Sathya, I. (2019). Rural Entrepreneurship in India. *Research Explorer*, 7(2), 7-12.
14. Singh and Raina (2013). Women Entrepreneurs in Micro, Small and Medium Enterprises. *International Journal of Management and Social Sciences Research (IJMSSR)*, 2(8), 4-8.
15. Saxena, S. (2012). Problems Faced By Rural Entrepreneurs and Remedies to Solve. *IOSR Journal of Business and Management*, 3(1), 23-29.
16. Sharma, M., Chaudhary, V., Bala, R. and Chauhan, R. (2013). Rural Entrepreneurship in Developing Countries: Challenges, Problems and Performance Appraisal. *Global Journal of Management and Business Studies*, 3(9), 1035-1040.