

Rural Entrepreneurship in India

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Abstract:

The important role of entrepreneurship as a driver of economic growth and diversification has long been recognised at a high level. Entrepreneurship is also a key component of the strategy for smart, sustainable and inclusive growth.

Agriculture and rural development are expected to contribute to the growth strategy. "The CAP towards 2030: meeting the food, natural resources and territorial challenges of the future", launched a debate on how this can best be achieved and proposed new policy orientations, preparing the ground for the new generation of rural development programmes.

Keywords: Rural entrepreneurship, importance of Rural entrepreneurship, development in India, India Rural entrepreneurship.



Introduction:

Rural entrepreneurship has been encouraged to reduce pressure on agriculture, curb emigration of rural people, disperse large scale industrialization, reduce investment cost and generate employment in mass scale for skilled and unskilled persons of the community and reduce regional disparity (GaneshBhat. S). Petrin (1992), in a study observed that to speed up economic development in rural areas, it is important to build up the critical mass of first generation entrepreneurs.

Lyson (1995) specified the prospects of small-enterprise framework as a possible rural development strategy for the economically disadvantaged communities. As risk takers, entrepreneurs bring about new products and services, and indeed, add colours to a society. (Zimmer and Scarborough, 2005) Thomas and Henley (2006), that one of the most crucial components of local economic development strategy is rural entrepreneurship. Petrin (1994) in another article concluded that rural development is now being largely linked to entrepreneurship.

It acts as a vehicle to improve the quality of life for individuals, families and communities in order to sustain a healthy economy and environment. Duarte & Diniz (2011) It is found that entrepreneurial actions promote economic and social conditions which benefit the individual as well as the entire village. Saxena (2012) Institutions and individuals promoting rural development now see entrepreneurship as a strategic development intervention that could stimulate the rural development process.

Sharma, Swati, Vyas, and Divya (2011) indicated that various social, economic, political and ecological problems in rural areas in developing countries like India create challenges in employment, decreasing agricultural production and increasing food shortage.

This has resulted a huge impact on the domestic production, employment etc. To a certain extent, these problems can be solved by developing entrepreneurship in rural India.

How is the Rural entrepreneurship in rural India ?

Axis I : Generalities about Rural Entrepreneurship

1- Rural Entrepreneurship

The word “Entrepreneurship” is derived from French word “Entreprendre” which means to undertake. As per P.P. Drucker, “Entrepreneur is one who always searches for change responds to it and exploits it as an opportunity”. As per E.E. Hagen, “An entrepreneur is an economic man who tries to maximize his profit by innovations”. Entrepreneurship is the activity of an entrepreneur who starts a new venture by taking risk and initiative, creates useful asset for providing value to the customers.

Entrepreneurship is basically an activity that helps in sensing the opportunities, resourcing “innovation” and realizing the ‘pay off’ through the action performed by him or her. The entrepreneur is one who drives the process of economic growth and mediates the inputs and outputs of the economic system (Vosle, 1994). Rural entrepreneurship can be regarded as an attempt to create the management for risk-taking appropriate to opportunity, as well as to mobilize human, material and financial resources in order to fulfil the project in rural areas (Saxena, 2012).

Rural entrepreneurs discover new venture opportunities, not because they have some unusual perceptive ability but because they make conscious investments in risk reducing current specific information (D. Joel Edwinraj).an entrepreneur may be described as a person who has the ability to explore the environment, identify opportunities for improvement, mobilise resources and implement actions to capitalize on those opportunities. Entrepreneurs have a well-defined sense of opportunities.

Rural entrepreneur is someone who stays in the rural area and contributes to the establishment of rural wealth. Rural entrepreneurs refer to those who perform the business activities in rural areas with the exploitation of local resources. Rural entrepreneurs expand the purchasing power and Standard of living of the people by offering employment opportunity to the people in rural areas.

2- Types of Rural Entrepreneurship

The various types of enterprises in the rural areas can be broadly categorized under the following categories:

2-1. Individual Entrepreneurship

One individual owns this company. When an individual tends to set up a business taking into account various benefits and threats; with his/her resources, in a special case, capital may be gathered from capitalists or financial companies, providing the needed strong business acumen.

2-2. Group Entrepreneurship

When a small group of individuals works together to create a business, they rely on their abilities or qualities to build it. Though, administration of such groups is significantly more difficult than solo ones due to shared accountability or unsettled judgment.

2-3. Cluster Formation

Clustering has been regarded as a setting with exposure to all interconnected and contending institutions. Clusters usually form when commercial activities inside a particular supply chain are consolidated. If a substantial number of individuals or activist groups, including Non-Governmental Organisations (NGOs), Voluntary Organisation (VOs), Self- Help Groups (SHGs), Community Based Organisations (CBOs), participate, the business will form. The benefits of such a group include economies of scale, a strong supply chain, and, most importantly, a promising basis for sharing revenue growth with significant societal impact. The sustainability of such ventures is usually driven not just by resources but by the affirmative engagement of entrepreneurs.

2-4. Co-operatives

An independent group of citizens uniting deliberately to satisfy common interests and requirements within a jointly-owned venture. It consists of both formal and informal activities working towards a shared agenda, For instance, artefact makers, livestock, and fishing businesses. The establishments mentioned above are fantastic examples of combining ingenuity and innovation at the grassroots level to overcome rural challenges in a commercially viable manner.

2-5. Agro Based Enterprise

These comprise direct sale or processing of agro-based products such as pickles, sugar industries, oil processing, fruit juice, dairy products, spices, etc.

2-6. Forest Based Industries

Such industries comprise wooden products, honey making, coir industry, eating plates from leaves, bamboo products, etc.

2-7. Textile Industry

These comprise spinning, weaving, bleaching, and colouring.

2-8. Services

There is a wide range of services including mobile phone repair, agriculture related machinery servicing, etc. are comes under this category.

3- Importance of Rural Entrepreneurship

Entrepreneurship can play a crucial role in rural development. If entrepreneurship encouraged in rural areas, it would stimulate in changing the face of rural areas by solving the problems of poverty, unemployment, economic disparity, low level of standard of living. Rural entrepreneurs play an indispensable part in the overall economic development of the country. The amplification and enlargement of rural industries facilitate self-employment, helps in the maximum utilization of locally available raw materials and labour. Importance of rural entrepreneurship is as under:

3-1. Resources Utilization:

Rural industries foster the appropriate utilization of local resources like raw materials and labour for productive purposes and thus enhance productivity. They can also mobilize rural savings which help in enhancing of rural funds.

3-2. Employment Generation:

Rural industries create large-scale employment openings for the rural people. The basic issue of large-scale unemployment and under employment of rural areas can be efficiently solved through rural industrialization.

3-3. Avoid the Migration of Rural Population:

Lack of employment opportunities, poverty, etc., has forced the rural people to head towards urban areas for livelihood. It creates rural-urban imbalance. Under these situations, rural entrepreneurship can provide employment, and it will discourage rural people to migrate from rural areas in search of jobs.

3-3. Artistic Activities Promotion:

The rich heritage of rural India is conserved by protecting and promoting handicrafts and art through rural entrepreneurship.

3-4. Check on Social Evils:

The growth of rural entrepreneurship can diminish the social evils like poverty, the growth of slums, pollution in cities etc.

3-5. Encourage the Rural youth:

Rural entrepreneurship can promote the rural youth and expose them to several paths to adopt entrepreneurship and promote it as a career.

3-6. Stimulate Economic Development:

Rural industrialization can stimulate economic development of rural areas. This will curb rural urban migration, and also abate unsymmetrical growth of cities, increase of slums, social tensions, social issues, and environmental pollutions etc.

3-7. Foreign Exchange Earnings:

Rural industries play a prominent role enlargement of foreign exchange earnings of the country by export of their offerings.

3-8. Entrepreneurial Development:

Rural industries encourage entrepreneurial development in the rural areas. It persuades entrepreneurs to improve and carry out entrepreneurial activities in the rural areas which eventually facilitate the enhancement of the rural areas.

3-9. Standard of Living:

Rural entrepreneurship will also improve the literacy rate of rural population. Their education and self-employment will flourish the community and hence, will develop their standard of living.

4- Risks of Rural Entrepreneurship

A Rural Entrepreneurship is Subjected to the Following Types of Risks :

4-1. Technical Risks:

The risk of not knowing enough about the technical process, materials, etc. and so the risk of not being able to overcome the technical problems.

4-2. Economic Risks:

The risks of market fluctuations and changes in relation to availability of raw materials and market for finished product, etc.

4-3. Social Risks:

Risks inherent in the development of new relationship inside and outside the village.

4-4. Environmental Risks:

Risk arising from environmental changes requires dealing with unfamiliar people, cultures, systems, etc.

5- Advantages and Disadvantages of Rural Entrepreneurship

A- Advantages

In regional regeneration, entrepreneurship may be incredibly valuable to the country's overall economic success. Encouragement of business in rural parts of the country might aid in transforming the landscape of agricultural communities. Here are the key benefits of rural entrepreneurship:

- Capitalization of local assets

Rural businesses facilitate the efficient application of indigenous resources, raw materials, and labor for commercial ends, thereby multiplying development. It can indeed mobilize rural investments and contribute to the expansion of rural financial affairs.

- Exalt employment avenues

Rural industries provide a significant number of job opportunities to rural dwellers. Village industrialisation might successfully address the fundamental dilemma of sizable unemployment and underemployment, especially in rural parts.

- Circumventing the rural flow of migrants

Paucity of development prospects and economic hardship rural people often make a move to urban provinces in search of a brighter tomorrow. All of this fosters a rural-urban divide. Rural entrepreneurship will support livelihoods and it will dissuade them from migrating.

- Encouragement of artistic processes

The rich culture of India could be perpetuated with rural entrepreneurship support by nurturing traditional art and crafts.

- Balance the society's wickedness

The existence of rural entrepreneurship might help alleviate social injustices like destitution, the proliferation of slum dwellers, urban pollution, and so on.

- Motivate rural population

Thriving rural entrepreneurs assist the rural masses with various ways to engage in business as a career and offer additional non-farm occupations.

- Promote local economy

Rural industrialisation can boost the countryside's industrial prosperity. They are focused on local preferences, improving the gap between demand and supply, or augmenting income levels.

- Foreign currency revenues

Sparsely populated firms play a big role in strengthening the nation's foreign exchange reserves with the export of various niche products.

- Leading professional development standard

Rural entrepreneurship can increase the general level of information among rural populations. These abilities and awareness will increase the quality of life.

B- Disadvantages

Rural entrepreneurs encounter a variety of limitations due to poor physical connectivity, digital connectivity, and financial inclusion. Such as a resilient and productive existence; skill enhancement, or rather, vocation fit; rural socio-economic participation. Some of the concerns associated with rural start-ups are as follows:

- Lacking experience and understanding: There seems to be an insufficiency of proper skills and abilities for the business potential within the village community. Besides, several learned and competent individuals leave the town and move to urban areas in pursuit of opportunities, widening the gap.
- Lack of funding: Capital is unquestionably an integral aspect of any business. Rural businesses have always been concerned with generating funds for their endeavours. Due to lack of financial choices, businesses are obliged to take loans from unregulated lenders, who impose exorbitant interest rates.
- Inadequate entrepreneurial willingness: The vast majority of rural residents are unsure of the best way to approach the corporate world.
- Preferences for being employed as labor or a sheer lack of a unique and innovative vision are the factors limiting the spread of enterprising in rural areas.
- Need for professional knowledge: Sparsely populated areas lack administrative, scientific, and commercial expertise, which leads to the annihilation of the entrepreneurial spirit, and as a result, few individuals move distant to build units.
- Limited infrastructural amenities: Rural regions are affected by the lack of infrastructural options such as expressways, supermarkets, power, information exchange, processing, storage, etc., which impede seamless industrial undertakings.
- Unfavorable socioeconomic environment: Social stratification, cultural ills, religious myths, and other factors stifle the development of the inquisitive nature. Furthermore, the preference for items manufactured by multi nationals, large corporations, and so on complicates matters significantly for aspiring entrepreneurs.
- Absence of marketing knowledge: The need for effective interaction and access to appropriate but also reliable data renders it tricky for rural businesses to comprehend market dynamics.
- Lack of qualified personnel: Highly trained professionals concentrate on capital. Since the pay is lower in rural settings, entrepreneurs in remote places have a hard time attracting people with the right skills.
- Subpar quality merchandise: Buyers are now particularly vigilant about quality of products. Rural businesses still end up making average-quality commodities due to poor raw material grades as well as a lack of standardization techniques or machinery.
- Competition: Rural businessmen face a fierce competitive edge from MNCs, large corporations, and even urban small business owners. Such firms must emerge, featuring innovative marketing tactics that the community may readily embrace.

6- Capitals for Urban and Rural Entrepreneurship

The following table show the distribution of capitals between urban and Rural Entrepreneurship :

Table 1. Capitals for Urban and Rural Entrepreneurship

Table 3. Debt Financing					
		URBAN		RURAL	
		%	n	%	n
Share of businesses with prior debt outstanding		80	8415	79	1115
Amount of debt outstanding					
\$25K or less		13	6744	15	892
\$25,001-\$50K		12	6744	13	892
\$50,001-\$100K		17	6744	19	892
\$100,001-\$250K		26	6744	22	892
\$250,001-\$1M		21	6744	21	892
More than \$1M		11	6744	10	892
Use of financial services by Source of Financing					
Large bank		52	8521	33	1125
Small bank		42	8521	59	1125
Credit union		11	8521	16	1125
CDFI		2	8521	2	1125
Nonbank online/fintech lender		11	8521	11	1125
Nonbank finance company		8	8521	8	1125
Alternative financial source		2	8521	3	1125
Business financial services company		23	8521	19	1125
Other financial service provider		6	8521	7	1125
Business does not use financial services		7	8521	7	1125

Source : Alicia Robb : RURAL ENTREPRENEURSHIP AND THE CHALLENGES ACCESSING FINANCIAL CAPITAL:AN OVERVIEW OF FUNDING IN RURAL AMERICABY, PRESENTATION REPORT TO SMALL BUSINESS CAPITAL FORMATION ADVISORY COMMITTEE, November 16th, 2021, p 6.

7- Opportunities in Rural Entrepreneurship

- Free entry in global economic context
- Socio and cultural development
- Financial assistance increased by government for promoting exports
- Implementation of liberal industrial policies
- Promotion of competition among rural entrepreneurs
- Adoption of latest technology
- Ability of risk taking attitude
- Implementation of National Rural Employment Scheme
- Setting up of Regional Rural Development Centres
- Centralized scheme for Rural Development

Axis II : Rural Entrepreneurship in India

In the vast landscape of India, rural entrepreneurship is a powerful force driving economic growth and empowerment. However, it is not without its unique challenges, particularly in areas such as logistics. In this article, I'll share the hurdles rural entrepreneurs face in India and propose innovative solutions we're already applying to overcome them, paving the way for prosperity and progress.

1- Role of the Government

For a nation like India, the role of the government in supporting and scaling rural enterprises is of pivotal importance. The Government of India's Start-up Village

Entrepreneurship Programme (SVEP) has been initiated with the purpose of assisting entrepreneurs to establish their business enterprises in rural India. The scheme supports existing enterprises as well as new enterprises with their unit establishment at the village level. Besides helping the rural entrepreneurs to access finance, a cadre of Community Resource Persons- Enterprise Promotion (CRP-EP) is also created to provide business support services to rural enterprises. It not only aids in the setting up of enterprises, but also ensures that sufficient handholding support is offered to these enterprises, thereby ensuring their longevity in the market.

It is fundamental to instill a culture of entrepreneurship to ensure the establishment of rural enterprises. Rural Self Employment Training Institutes (RSETIs) have addressed it by providing skill and entrepreneurship development training programmes to the rural unemployed youth thereby assisting them in commencing their own business units.

2- The Factors that promote rural entrepreneurship in India

- **Skilling** - National rural livelihoods mission (NRLM) and Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) is a placement linked skill development programme.

Rural entrepreneurship harnesses innovation, invention, production and manufacturing of goods, promoting exports, and providing rural employment.

- These schemes allows skilling in a PPP mode and assured placements.
- **Training** - Rural self-employment and training institutes (RSETI) enables the trainees to take bank credit facility to start micro-enterprises.
- **Promotion of entrepreneurship** - Startup India initiative promotes entrepreneurship among the youth of India.
- **Sustainable livelihoods** - Deen Dayal Antyodaya Yojana (DDAY), which focuses on sustainable livelihoods for rural communities.
- **Financial inclusion** - NRLM, which now has the largest network of women's SHGs globally has helped in financial inclusion.
- Mudra Yojana also provide financial support.
- **Production and marketing** - One district one product (ODOP) identifies products that are unique to a particular district and promote their production and marketing.
- ODOP also provide *market linkages* to the entrepreneurs.
- As of March 2023, there are 8.2 million SHGs in India with 89 million members.

Figure 1. Factors that promote rural entrepreneurship in India



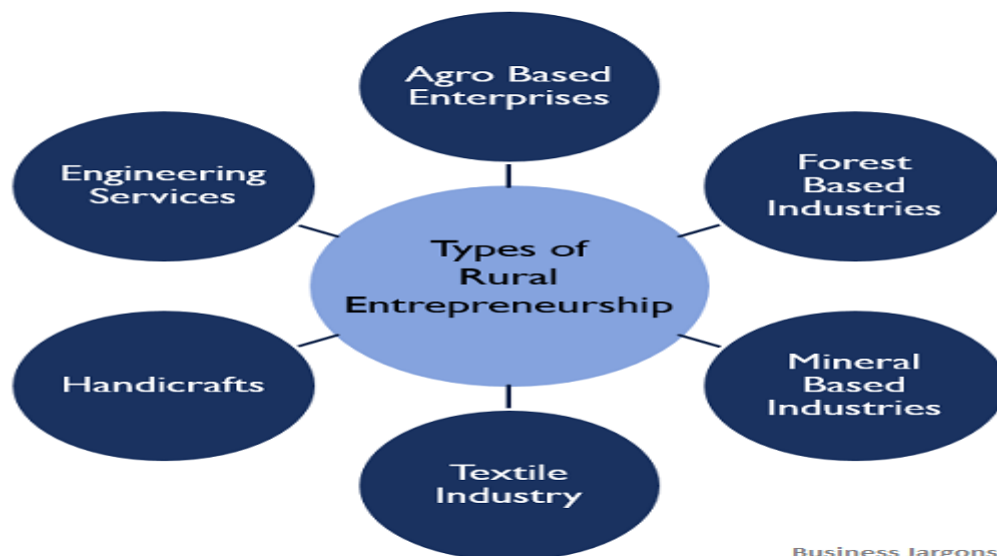
Business Jargons

Source : <https://www.thehindubusinessline.com/opinion/rise-of-rural-entrepreneurs/article66752322.ece>

3- The challenges to the rural entrepreneurship in India

- Inadequate infrastructure in rural areas
- Limited access to finance
- Lack of formal vocational/technical training
- Low up gradation in the technology
- Most entrepreneurs produce products for their own consumption

Figure 2. The challenges to the rural entrepreneurship in India



Business Jargons

Source : <https://www.thehindubusinessline.com/opinion/rise-of-rural-entrepreneurs/article66752322.ece>

4- Challenges faced by Rural Entrepreneurship in India

- ✓ Family Challenges
- ✓ Social Challenges
- ✓ Technological Challenges
- ✓ Financial Challenges
- ✓ Policy Challenges

5- Government Schemes for Rural Entrepreneurship in India

- Rajiv Gandhi Udyami Mitra Yojana (RGUMY)
- Product Development, Design Intervention and Packaging (PRODIP)
- Khadi Karigar Janashree Bima Yojana for Khadi Artisans
- ASPIRE (A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship)

6- Factors responsible for limited growth

- **Subsidy and target oriented programmes** Encouraged people to somehow avail the subsidy and the enterprise could not sustain for long.
- **Technology developed at faster rate** and the rural people could not get the benefits.
- The electronic media diverted the **attention of youth from enterprise to wage employment or jobs for easy life**, it also promoted migration.
- **The limited infrastructure expenditure** was concentrated in urban areas as private investment was not allowed.
- The image of rural enterprise was limited to “**khadi cloth**”, “**achar-murabba**” or “**kachhi gani oil**”, which resulted in rural areas becoming source of raw materials only.
- Marketing issues.

7- Government Encouraging Rural Entrepreneurship

How to move forward ?, the government realised this step with different points :

- Similar enterprise in area and its viability.
- Availability of raw materials (nearby/source)
- Technology or knowhow
- Availability of labour and skilled persons
- Marketing channels
- Related government policies/promotional scheme
- Prospective buyers and demand pattern etc.

8- And the Sources of finance are :

- Commercial Banks
- Agriculture and Rural Development Banks
- Regional Rural Banks
- SIDC of various states
- Cooperative Banks
- Non Banking Finance Companies

1. First Step : Training/skill development

Every entrepreneur should undergo specialized training before entering into adventure specially manufacturing, service or high tech agriculture Specific skills development institutes are conducting training for youth, such as

- CIMAP
- NBRI for floriculture
- CFTRI
- NIRD

❖ For the training program of the CIMAP for the Floriculture :

Table 2. Training Program of the CIMAP for the Floriculture

Title of the training	Duration (Days)	Fee (Rs.)/ Trainee
Bonsai Technique	Three days	3,000 + GST
Techniques of Vertical Gardening, Roof Gardening and Container Gardening	Three days	3,000 + GST
Management of House Plants and Interior Plantscaping	Three days	3,000 + GST
Technique for Dehydration of Flowers and preparation of artifact	Three days	3,000 + GST
Training on all round maintenance of the ornamental gardens for Gardeners	Fifteen days	15,000 + GST
Preparation of Bouquet and Flower Arrangement (for house wives / Gardners/ hobbyists)	Three days	3,000 + GST

Source : CSIR National Botanical Research Institute(NBRI) Report, Ministry of Science and Technology, 2021, p 27.

- Developing employment oriented skill programmes in the core competency areas of CSIR-NBRI
- Creating a pool of skilled human resource for catering the man power needs of plant based industries and promoting their inter-linkages.
- Aligning the skill programmes with CSIR Integrated Skill Initiative, National Skill Development Council and Sectoral Councils to meet the national objectives.
- Developing market/industry driven courses with emphasis on hands-on practical learning.
- Ensuring transparent selection and evaluation processes for achieving societal inclusiveness.

❖ Rural Technology Entrepreneurship (RTP)

To build the capacity of rural entrepreneurs through training and skill promotion in various ecofriendly and employment intensive industries like Handmade papers , Natural Dyeing, Home based products, Honey processing, Neem processing, Cultivation of Medicinal & Aromatic plants, Food processing, Vermicomposting, fashion technology & garments making, pearls processing, Soybean foods, Herbal Cosmetics etc. These prototype units are housed in the Rural Technology Park and through the mtransfer of technologies to the rural areas are made to generate employment on a sustainable basis. Training programmes are conducted as a capacity building to the rural entrepreneurs.

Table 3.RTP Skill Development Training Programmes

Name of the training programme	Duration
Training Course on Preparation of Neem, Vermi Compost and Vermi wash liquid	3 days
Training Course on Mushroom Cultivation and Mushroom Products	4 days
Training course on “Cost-Effective Rural Housing construction Technologies”	5 days
Training course on “Preparation of Different Soya Products”	4 days
Training Course on “ Food Processing by using Solar Energy”	3 days
Training Course on “Home Based Products”	4 days
Training Course On “Solar Lights Assembling , Maintenance and Management”	15 days
Training course on “Leaf plate making”	3 days
Training course on “ Conversion of Handmade Paper in to value added products Bags”	4 days
Training course on “Preparation Methods of Herbal beauty care Products”	4 days
Training Course on Product Development from Tribal Jewellery blended with Pearls and Fashion Jewellery	10 days

Source :CSIR National Botanical Research Institute(NBRI) Report, Ministry of Science and Technology, 2021, p 27.

Conclusion

Rural entrepreneurship is one of the ways for converting developing country into developed nation. Rural entrepreneurship is the solution for removing the rural poverty in India. Most of the rural youth are not thinking the entrepreneurship as a career option. Those youth are needed to be motivated for taking up entrepreneurship as a career. Without the rural industrialization it is impossible to solve the unemployment completely. By this it is concluded that the rural entrepreneurship is the backbone of the nation to solve various problems of youth, women, small business owners.

Rural entrepreneurs are a crucial figure in economic growth of a developing country like India. Rural entrepreneurship is the answer to removal of rural unemployment, poverty, migration. Rural entrepreneurship is important as a means of generating employment opportunities in the rural areas with low capital cost and raising the real income of the people. In absence of rural industrialization, it would not easy to answer the problem of unemployment in rural areas. Rural entrepreneurship can be considered one of the solutions to migration, reduce poverty, economic disparity, unemployment, and develop rural areas and backward regions of our country. There should be more focus on integrated rural development programs.

The entrepreneurial training and assistance should be given to existing rural entrepreneurs also. Rural entrepreneurship has capability to deliver basic manpower, money, material, machinery, management and market to the rural population

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