

# Rural Entrepreneurship- Challenges and Opportunities in India

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## Abstract

Rural entrepreneurship has an important role to play in the development of Indian economy. Nearly 70 percent of the Indian population lives in rural India. Adequate funding and support can provide a thriving entrepreneur atmosphere in these communities. So far as it is known that rural India as compared to the mainstream population is economically poor, younger, more isolated geographically, isolated from the main markets, culturally imbedded in tradition, less dynamic economically and experiencing depopulation. In this paper an attempt have been made to discuss the key issues related to entrepreneurship and its opportunities and challenges in India. The analysis is then broadened to understand the determinants of rural entrepreneurship and the environment conducive to its development consequently, the policies that are necessary to make this environment favorable have been discussed in detail. The conclusion is that to accelerate economic development in rural areas, it is necessary to promote entrepreneurship. Entrepreneurial orientation in rural areas is based on stimulating local entrepreneurial talent and subsequent growth of indigenous companies in the country.

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## 1. INTRODUCTION

### “India lives in its villages” quote of Mahatma Gandhi.

The majority of the population in India lives in villages. The economic development of our country largely depends on the progress of rural areas and the standard of living of people in rural areas. Rural industries play an important role in the development of national economy.

Rural entrepreneurship in India is based on using the local entrepreneurial talent and the subsequent growth of indigenous enterprises.<sup>[1]</sup> It recognizes opportunity in the rural areas and accelerates a unique blend of resources either inside or outside of agriculture. Rural entrepreneurship brings an economic value to the rural sector by creating new methods of production, new markets, new products and generate employment opportunities thereby ensuring continuous rural development.

Rural entrepreneur is one of the most important inputs in the economic development of a country and of regions within the country.<sup>[1]</sup> Rural entrepreneurs are those who carry out entrepreneurial activities by establishing Industrial and business units in the rural sector of the economy. Establishing industrial and business units in the rural areas refers to rural entrepreneurship. Rural entrepreneurship can be considered one of the solutions to reduce poverty, migration, economic disparity, unemployment and develop rural areas and backward regions.

According to Khadi and Village Industries Commission (KVIC), “Village industry or rural industry means any industry located in rural areas, the population of which does not exceed

10,000 or such other figure which produces any goods or renders 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”. The definition of village industry has been recently modified by the Government of India so as to enlarge its scope. According to Government of India, “Any industry located in rural areas, village or town with a population of 20,000 and below and an investment of 3 crores in plant and machinery is classified as a village industry”.<sup>[2]</sup>

## 2. Research Questions:

The research study is developed based on the following research questions:

- What are the Challenges and Opportunities in Rural area for Entrepreneurship?
- What are the benefits of rural location for Entrepreneurship?
- What are the suggestions to develop Rural Entrepreneurship in India?

## 3. Objectives of the Study:

The following are objectives of the present study:

- To identify the challenges and opportunities in rural area for Entrepreneurship.
- To study the benefit of rural location for Entrepreneurship.
- To give suggestions to develop rural Entrepreneurship in India.

#### 4. Research Methodology:

The present study is based only on secondary data. The data were collected from books, journals and website.

#### 5. Challenges faced by Rural Entrepreneurship in India:

##### •Family Challenges:

The big challenge before rural entrepreneurship is convincing the family for opting business instead of choosing for a job.

##### •Social Challenges:

Social challenges such as lack of the basic needs, unsustainability and social exclusion will have implication on rural Entrepreneurship.

##### •Technological Challenges:

Technological challenges such as internet, inadequate social infrastructure and lack of managerial skills have impact on rural entrepreneurship.

##### •Financial challenges:

Most of rural entrepreneurs fail to get external funds due to absence of tangible security and credit in the market. The procedure to avail the loan facility is too time-consuming that its delay often disappoints the rural entrepreneurs. They are mainly depending on parents and relatives, popularized person in the particular area for finance. They are not aware of the entrepreneurial supporting financial institution like SIDCO (Small Industrial Development Corporation), SIDBI (Small Scale Industrial Development Bank of India), DIC(District Industrial Center), IDBI(Industrial Development Bank of India), IFCI(Industrial Finance Corporation of India), ICICI (Industrial Credit and Investment Corporation of India) ,etc.,<sup>[3]</sup>

##### •Policy Challenges:

There are lots of changes in the policies made by the government related to TRIPS and TRIMS.

##### •Other problems:

- Problems of raising equity capital
- Problems of availing raw-materials
- Problems of obsolescence of indigenous technology
- Increased pollutions
- Ecological imbalanced

#### 6. Opportunities for Rural Entrepreneurship in India:

1. Free entry into world trade.
2. Improved risk taking ability.
3. Governments of nations withdrawn some restrictions
4. Technology and inventions spread into the world.
5. Encouragement to innovations and inventions.
6. Promotion of healthy completions among nations
7. Consideration increase in government assistance for international trade.
8. The establishment of other national and international institutes to support business among the nations of the world.
9. Benefits of specialization.
10. Social and cultural development

#### 7. Problems of Rural entrepreneurship

Developing entrepreneurship especially rural entrepreneurship is not so easy. It is constrained by several problems. Some of the problems faced by rural entrepreneurs are as follows:

#### 1. Lack of finance

Most of rural entrepreneurs are mainly struggling to raise the finance for their businesses. Non availability of adequate collateral security often mars the chances of rural youth in obtaining adequate funds in time to set up their own venture.<sup>[4]</sup> Due to this, the entrepreneurs are forced to take credit from village money lenders who charge exorbitant rates of interest.

#### 2. Lack of knowledge

There is a distinct lack of adequate knowledge of entrepreneurial opportunities among the rural youth. The educated and trained youths mostly leave for urban destinations in search of jobs.

#### 3. Lack of technical know-how

On account of faulty education system rural youth lack managerial, professional, technical know-how which is an impediment in developing the spirit of enterprise, consequently not many people come forward to establish self-employment units.<sup>[5]</sup>

#### 4. Absence of enterprising skill

Most of the rural people in India lack risk bearing ability. Reluctant to involve oneself in business, inclination towards wage employment, lack of creative thinking are few reasons which have restricted the growth of self-employment in rural area.

#### 5. Lack of infrastructural facilities

Rural areas are characterized by poor infrastructural facilities viz, roads, water, market, electricity, street lighting, road transport, storage and communication etc. which hamper the smooth movement of various industrial activities.

#### 6. Adverse social, cultural and industrial environment

The Social evils, caste systems, fatalism, religious superstitions, particularly in the country side, do not allow development of adventurous spirit. Lack of skill and expertise in labourers, their tendency to migrate to cities and consumer's habit to buy goods produced by big companies create many problems for new entrepreneurs.

#### 7.Lack of market information due to poor communication facility

The absence of the effective communication and access to the right information makes it difficult for rural entrepreneurs to understand market trends and policies followed by the government on industrialization.

#### 8. Non availability of skilled labours

In rural areas, skilled labours cannot be found easily by the entrepreneurs. Highly skilled personnel prefer to work in big cities due to high salary than rural areas.

#### 9. Low quality products

Nowadays, the consumers are more sensitive to the quality of the products. But, rural entrepreneurs cannot produce quality products due to poor quality of raw materials and lack of standardized tools and equipment's.

#### 10. Fear to invest in the business

The rural entrepreneurs have low risk bearing ability due to lack of financial resources and external support. So, they restrict to invest in their businesses in rural areas.

#### 11. Competition

Rural entrepreneurs are facing tough competition from urban entrepreneurs and larger scale organizations.

They cannot compete with the urban entrepreneurs due to lack of standardization and branding of the products.

## 12. Middleman

Rural entrepreneurs mainly depend on middlemen for marketing their products. But they betrayed by offering low prices to their goods.

## 8. Suggestions

In light of the above problems, the following suggestions can be put forth to develop the rural entrepreneurs:

- Separate financial assistance for rural entrepreneurs should be provided by the Government.
- Rural entrepreneurs should be provided adequate and timely financial assistance from all the financial institutions and banks.
- Special training programmes for rural entrepreneurs should be arranged by the Government to improve their knowledge and skill.<sup>[6]</sup>
- The rural educated youth should come forward in the field of entrepreneurship.
- Modernisation of their technology is very much essential. Sufficient finance must be given to modernise their outdated technology, tools and implements in order to enable them to compete with the large scale industries.
- Rural entrepreneurs must be provided with adequate infrastructural facilities.

## 9. Conclusion:

The rural development by Entrepreneurship has evolved in post independent India in positive direction. India being a developing country with 80 % rural population and 6 to 7 % GDP has paved way for a better entrepreneur development Scenario. This has been achieved by the effective policies implemented by the government and active participation of NGO"s. There is a wide scope for further improvement in the area of rural Entrepreneurship development involving modern technology and scientific management strategic.

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