

DEVELOPMENT OF RURAL ENTREPRENEURSHIP IN INDIA - CHALLENGES AND PROBLEMS

N. Rama Rao

M.A, SLET, SET, H.O.D. OF Economics A. G&S.G. Siddhartha Degree College of Arts and Science
(Autonomous) Vuyyuru, Krishna District

ABSTRACT:

The rural entrepreneur is one who is staying in village producing goods and services mainly with local resources. He organizes factors of production and takes risk. In India nearly 70 per cent of the population lives in villages depending mainly on agriculture and allied activities. There is widespread unemployment and underemployment with labor abundance and capital shortage. Hence, the development of rural entrepreneurship is very important.

The perception of risk is a critical factor in villagers at the time of taking any new activity. Given an individual's attitudes and biases, there is a threshold beyond which the individual will perceive the risk of change as unacceptable. In a new activity, if the unknown elements are greater and reassuring conditions are less, the perceived risk will be greater.

Rural Entrepreneurship – Definitions:

The word “Entrepreneurship” is derived from French word “Entrepreneur” 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,

Keywords: Rural Entrepreneur, Rural Entrepreneurship, Challenges, risk perception, development strategies.

Introduction

India is the country of villages; majority of the country's population is living in rural areas. People in rural areas suffer with poverty, poor infrastructure facilities, unemployment, which may be solved with the development of the rural entrepreneurs. As Organization for Economic Co-operation and Development report 2005, rural areas are affected by major challenges like reduced employment opportunities in primary industries and an aging population as a result of migration of young population to urban areas in search of employment opportunities.

Therefore, entrepreneurship in the rural and tribal areas looms large to solve the problems of poverty, unemployment and backwardness of Indian economy. Rural industrialization is viewed as an effective means of accelerating the process of rural development. Government of India has been continuously assigning increasing-importance and support for the promotion and growth 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.

OBJECTIVES

1. To study the concept of rural development.
2. To know the importance / need for the Rural-entrepreneurship in India.
3. To understand the prospects, challenges and schemes for rural entrepreneurship
4. To analyze the problems faced in growth of rural entrepreneurs in India.
5. To study the Advantages and Disadvantages of Rural Entrepreneurs in India.

Challenges of Rural Entrepreneur in India.

1. Competition from Urban Markets

Recently people prefer to purchase goods from supermarkets and hypermarkets as they can meet their varied needs from one place. Large organizations invest more in the latest technology, mass production, attractive package, and advertisement. While rural entrepreneurs are conducting the business with local resources and limited capital, hence it is unable to afford the new technology for making the product innovative due to which they are not able to compete with urban markets.

2. Lack of Family Support

An entrepreneur having a supportive family will be much successful. The family factors which affect entrepreneurship is a relationship, different roles, belief, culture, type of family, and family income. People born in a business family will have the talent to function in the business as they are learning it from childhood. Usually, entrepreneurs are always engaged with their work so they can't spend sufficient time interacting with family and maintaining the family relationship.

Likewise, the-profitability of a business is uncertain as it involves an element of risk and uncertainty. Due to these reasons, entrepreneurs have to face the challenge of lacking family support.

3. Difficulty in Availing Govt. Grants

Rural entrepreneurs are running businesses with limited capital; they seek assistance from the government. The government provides grants under different schemes like Venture capital, Single Point Registration, High-risk high reward, and Extra Mural Research Funding, etc. Even though these schemes are beneficial to the entrepreneurs, they are unaware of these schemes or not getting them on apt time.

For the survival of the business in the society, customers' demands should be fully filled as and when they are required and it will be feasible if there is a smooth flow of production which in turn depends on funds. So, delay in availing grants, excess formalities or conditions and procedure will hinder the production which becomes a challenge to the rural entrepreneurs.

4. Marketing Issues

Rural entrepreneurs are facing marketing issues like lack of information about the market, exploitation of intermediaries, tough competition from large-scale businesses, and lack of selling outlets. As customers' tastes, preferences, and fashion varies day by day, rural entrepreneurs

find difficulty in analyzing the current market trends which result in loss of markets and customers.

5. Shortage of Resources

The rural entrepreneurs depend upon local resources for their production, which is scarce and limited. Resources consist of raw materials, human and financial. Most of the rural entrepreneurship is on agro-based, handicrafts, artistic and traditional nature, but the young people are interested to work in IT & technical field, so the rural entrepreneurs fail to get the talented labors as their business is mostly on labor intensive.

Rural entrepreneurs are performing business with their limited owned funds so an alternative solution is availing borrowed fund from banks, other private finance and grants from government.

6. Lack of Transportation

Transportation helps in movement of goods and services from the production center to distribution center, ensures access according to customers' demand, and acts as a link between producers and customers. Like every business, the existence of rural entrepreneurship strictly based on customer satisfaction which rely on the availability of products and services in time which in turn depends on transportation facility.

Transportation helps in a major role in the procurement of raw materials from different scattered places and supply of goods at customer's location. Transportation challenge factor includes logistics, lack of road maintenance, hike in fuel prices, and vehicle services.

7. Lack of Entrepreneurship Skill

An entrepreneur must be a multi-talented person as he has to perform various roles. Rural entrepreneurs should possess different skills such as technical, information technology, communication, leadership, decision making, and problem-solving. The success of effective and efficient utilization of all resources mainly depends on the managerial skill of an entrepreneur. Lack of managerial skill will lead to poor management and ultimately affect the overall functioning of the business.

8. Lack of Training

Lack of proper training is another important problem of rural entrepreneurs. Poor performance, low productivity, lack of specialization, enhancing expenses, wastage, breakdown of machinery, difficulty in the adoption of the latest technology, labor turnover, and dissatisfaction are the major drawbacks due to lack of proper business training. An entrepreneur should possess competitive skills in various aspects of an organization. He has to plan various patterns of activities for attaining the objective of an organization.

Every businessman wishes to maximize the strength of his business by taking a strategic plan of action. The competency of a person is depending on some factors, which include age, qualification and year of experience, etc. Hence it is important to analyze the significant difference between entrepreneurship skill and age, educational qualification, and year of experience of rural entrepreneurs.

Advantages of Rural Entrepreneur in India.

1.Capitalizing on local assets

Rural areas are often rich in natural resources and traditional skills. Entrepreneurs can leverage these local assets to create unique products and services. For instance, the rural regions of India are known for their exquisite hand-loomed and crafts. By building businesses around these traditional arts, rural entrepreneurs can create niche markets that attract both domestic and international customers.

2. Creating employment opportunities

One of the most significant advantages of rural entrepreneurship is job creation. By establishing businesses in rural areas, entrepreneurs can provide employment to local populations, thereby reducing unemployment and underemployment. This not only improves the standard of living but also helps in the overall economic development of the region.

3.Reducing rural-urban migration

Rural-urban migration is a common phenomenon where individuals move to urban areas in search of better opportunities. This migration often leads to overcrowding in cities and depopulation in villages. Rural entrepreneurship can address this issue by providing lucrative opportunities within the rural areas themselves. When people find viable economic activities close to home, they are less likely to migrate to cities.

4. Promoting traditional arts and crafts

Many rural areas have a rich heritage of traditional arts and crafts. Rural entrepreneurship can help preserve and promote these traditions by creating businesses that focus on these unique skills. For example, the handicraft and handloom industries in rural India have gained international acclaim, thanks to entrepreneurs who have brought these traditional arts to the global market.

5. Balancing societal inequities

Rural entrepreneurship can play a crucial role in balancing societal inequities. By providing economic opportunities in rural areas, it helps bridge the gap between urban and rural populations. This equitable distribution of wealth and resources contributes to a more balanced and inclusive society.

6. Motivating rural populations towards economic activities

Entrepreneurship fosters a spirit of innovation and self-reliance. When people in rural areas see successful entrepreneurs in their communities, it inspires them to pursue their own business ideas. This motivation can lead to a more dynamic and vibrant rural economy.

Disadvantages of Rural Entrepreneur in India.

1.Lack of experience and entrepreneurial skills

Many rural entrepreneurs lack the experience and skills needed to run a successful business. This lack of knowledge can lead to poor decision-making and ultimately, business failure. Training and mentoring programs are essential to equip rural entrepreneurs with the necessary skills and knowledge

2. Funding challenges

Access to funding is a significant hurdle for many rural entrepreneurs. Traditional financial institutions often consider rural businesses as high-risk and are reluctant to provide loans. This

lack of funding can stifle the growth of promising business ideas. Innovative financing solutions, such as microfinance and crowd funding, can help bridge this gap.

3. Inadequate infrastructure

Infrastructure in rural areas is often underdeveloped. Issues such as poor road connectivity, limited access to electricity, and unreliable internet services can pose significant challenges for rural entrepreneurs. Improving rural infrastructure is crucial for the success of rural businesses.

4. Market access issues

Reaching larger markets is often a challenge for rural entrepreneurs. Limited connectivity and distribution networks can make it difficult for rural businesses to access urban markets and beyond. Building robust supply chains and leveraging e-commerce platforms can help rural entrepreneurs overcome these barriers.

5. Competition from urban businesses

Rural entrepreneurs often face stiff competition from established urban businesses. These urban businesses typically have more resources, better infrastructure, and greater market reach. To compete effectively, rural entrepreneurs need to focus on their unique strengths, such as local knowledge and niche products.

6. Distribution barriers

Efficient distribution is critical for the success of any business. However, rural entrepreneurs often face significant distribution challenges due to poor infrastructure and limited access to logistics services. Developing local distribution networks and collaborating with logistics companies can help address these issues.

Problems of Rural Entrepreneurship

Rural entrepreneurship is not free from problems and obstacles. The main basic problem of village industries is arranging the finance, lack of technical skills, inadequate training facilities in the field of entrepreneurship, no proper information regarding new opportunities, new markets and potential risks etc.

There is problem of getting encouragement from family members and from society because of lack of knowledge regarding rural entrepreneurship. Some of the general problems of rural entrepreneurship are listed below.

1. Problem of finding the raw materials

The main problems of rural industries are arranging quality raw materials for their business. Because of lack of information regarding procuring raw material village industries get low quality raw material in a higher cost.

2. Financial Problems

The main problem of rural industries is to arrange finance for their business. Many village entrepreneurs do not know the facilities given by the government. Because of this, rural entrepreneurs take financial help from private financial institutions, loan from non-bankers etc., by paying higher interest.

3. Problem of marketing

After producing the product and services by rural industries, it is always observed the marketing problems. It mainly includes problems in promotion and distribution of rural

products. Many a time consumers show less interest toward local products in comparison of branded products even though the rural products are good in quality.

4. Poor infrastructural facilities

Rural infrastructural facilities are very poor in majority of areas. Poor transport facilities, poor communication, lack of warehouse and storage facilities, poor power facilities etc., make the rural entrepreneurship as a difficult task.

5. Human recourse problems

There are human recourse problems in rural areas. It includes low skill level of employees, negative attitude towards entrepreneurship, lack of technical knowledge, low level of learning abilities etc. these problems will affect rural industries in a drastic way.

6. Heavy competition

Village industries face heavy competition from big business ventures and urban entrepreneurs. These problems are faced by rural entrepreneurs because of lack of approaching ability in the market towards their products.

Conclusion

Rural entrepreneurship is a powerful tool for economic growth and social transformation It offers opportunities to utilize local resources, generate employment, and promote sustainability. However, overcoming challenges such as funding, talent, and connectivity is crucial to unlocking its full potential.

Fostering rural entrepreneurship is crucial for economic growth and social transformation, but overcoming challenges like funding, talent, and infrastructure is vital to unlock its full potential and create sustainable, inclusive development.

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