

A Review of “Rural Entrepreneur Challenges in India”

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Abstract

Indian economy is based on rural development. Land being limited is unable to absorb the labour force in agriculture. The gap between rural urban disparities should be lessened. Government of India has been continuously assigning increasing importance and support for the promotion and growth of rural entrepreneurship. Optimum utilization of local resources, Entrepreneurial occupation of rural are some basic principles of entrepreneurship. Productivity, efficiency, Economic growth, Technology, Transformational and insecurity, Policy effects rural entrepreneurship of globalization. There are some challenges like Family challenges, Social challenges, Technological challenges, policy challenges affect Rural Entrepreneurship in India. Traditional approaches to recruitment and retention are just not working for most places, and states are looking for viable alternatives which mainly include entrepreneurship. Rural entrepreneurs have successfully diversified into or started new businesses in markets as diverse as agri-food, crafts, recycling, leisure and health.

Keywords: Entrepreneurship, Rural sociology, Utilization

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Introduction

India is a country of villages. About three-fourth of India's population are living in rural areas out of which 75% of the labour force is still earning its livelihood from agriculture and its allied activities. Land being limited is unable to absorb the labour force in agriculture. Therefore, there is a need to develop rural industries to solve rural unemployment and rural migration to cities. Growth and development of rural economy is an essential pre-condition to development of the nation as a whole. The gap between rural urban disparities should be lessened. (Jitendra.A,2013)

The standard of living of the rural people should be increased. Entrepreneurship in rural sector provides an answer to the above problems. Indian rural sector is no longer primitive and isolated. Therefore, entrepreneurship in the rural and tribal areas looms large to solve the problems of poverty, unemployment and backwardness of Indian economy. (Nandanwar K..P,2011) 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.

Meaning:

Rural entrepreneurs are those who carry out entrepreneurial activities by establishing industrial and business units in the rural sector of the economy. In other words, establishing industrial and business units in the rural areas refers to rural entrepreneurship. In simple words, rural entrepreneurship implies entrepreneurship emerging in rural areas. Or, say, rural entrepreneurship implies rural industrialization. Thus, we can say, entrepreneurship precedes industrialization.

Definition:

Rural industries and business organizations in rural areas generally associated with agriculture and allied activities to agriculture.

KVIC (Khadi and Village Industry Commission) "Village industries or Rural industry means any industry located in rural areas, population of which does not exceed 10,000 or such other figure which produces any goods or renders any services with or without use of power and in which the fixed capital investment per head of an artisan or a worker does not exceed a thousand rupees".

The modified definition of rural industries has been given by Government of India in order to enlarge its scope. According to Government of India, "Any industry located in rural area, village or town with a population of 20,000 and below and an investment of Rs. 3 crores in plant and machinery is classified as a village industry."

Rural Entrepreneurship in India:

Who should be capable of making use of the government policies and schemes for the betterment of rural people? Some individuals who happen to be local leaders and NGOs and who are committed to the cause of the rural people have been catalytic agents for development. Though their efforts need to be recognized yet much more needs to be done to reverse the direction of movement of people, i.e. to attract people in the rural areas. It means not only stopping the outflow of rural people but also attracting them back from the towns and cities where they had migrated. This is possible when young people consider rural areas as places of opportunities. Despite all the inadequacies in

rural areas one should assess their strengths and build on them to make rural areas places of opportunities. This is much to do with the way one sees the reality of the rural areas. The way a survivor or job seeker would see things would certainly be different from those who would like to do something worthwhile and are ready to go through a difficult path to achieve their goals. It isn't that there is a dearth of people with such a mindset. But with time they change their minds and join the bandwagon of job seekers due to various complications. Enabling them to think positively, creatively and Entrepreneurship purposefully is most of the development of rural areas. Young people with such perspective and with the help of rightly channelized efforts would usher in an era of rural entrepreneurship.(Sandeep.S, 2012)

The basic principles of entrepreneur which applied the rural development are:

- Optimum utilization of local resources in an entrepreneurial venture by rural population - Better distributions of the farm produce results in the rural prosperity.
- Entrepreneurial occupation of rural population to reduce discrimination and providing alternative occupations as against the rural migration.
- To activate such system to provide basic '6 m'- manpower, money, material, machinery, management and market to the rural population.

Rural Entrepreneurship in changing Environment: The changing global environment raises questions about the ability of traditional, small-scale businesses in rural areas to share the potential benefits offered by the changing environment. The rapid (though declining) population growth, coupled with even faster urbanization, creates increasing demands. In India, urban populations in general grow about twice as fast as the overall total, and by 2020

they may exceed the size of rural populations. Such a major demographic trend challenges the capacities of some traditional small-scale businesses to cope with the increasing demands.

Effect of Globalization on Rural Entrepreneurship

Since globalization is a macro-concept and rural entrepreneurship is a micro-concept, occurring in a very limited area, it is very difficult to establish causal linkages, or to quantify the specific effects of globalization on rural entrepreneurship. However, it is possible to identify a range of different channels through which various aspects of globalization can be expected to change the welfare of rural entrepreneurship in India.

1) Productivity and efficiency effect

Globalization is often said to result in higher productivity, due to the access to global markets, abilities to specialize, and to take advantages of economies of scale and scope. Exposure to the global competition can result in high levels of productivity and efficiency. However, it is less crucial for large economies like India. Again, the potential gains to rural entrepreneur are also large, because globalization enhances countries' abilities to exploit comparative advantages arising from differing natural and ecological conditions. At the level of national policy, these arguments seem to favour globalization. Still, it is very easy to see how the rural entrepreneur could still lose out. This is true in most case duet the lack of affordable facilities in rural areas. There are many other factors which place rural entrepreneurs at a disadvantage. Most of them, lack access to the technologies and market information that would enable them to comply with quality specifications and effectively respond to emerging opportunities. They rarely have access to credit and the other financial services

necessary to compete in the modern world. Many face high transportation and input costs that further reduce their ability to compete. Additionally, there are some whose cultures place greater value on the maintenance of traditional ways of life, rather than on material success in a competitive world. Apart from these disadvantages, there is the wider question of whether the economic and institutional infrastructures, and the structure of policies, are favourable for small enterprises to succeeding international competition. In short, globalization presents real dangers to the rural entrepreneur, to set against the possible advantages for the wider economy.

2) Economic growth effect

As already noted, the argument in favour of globalization is the positive link between globalization and rural entrepreneurship in India. Because the potential benefits include improved access to foreign technology and managerial expertise. There have been varied views concerning the connection between trade openness and rural entrepreneurship growth, and this has given rise to a large body of empirical literature, suggesting a positive relationship between trade openness and rural entrepreneurship growth. Edwards (1998) concludes that greater openness accelerates economic growth, and that large departures from free trade dampen it. The evidence suggests that liberalizing countries outperform those who failed liberalization attempts (Michael et al., 1991). In contrast, Helleiner (1986) suggested that a certain level of national development is necessary before the objective of export-led growth can be realized. Emergence of the WTO and the series of deliberations under the Uruguay round have changed the world economic order. Indian Government has shelved the earlier protectionist policies and opened up the economy to the world market. Undoubtedly, this has helped the Indian economy to recoup its

strength with the flow of international capital and technology resulting in a robust economic position. The economy is moving steadily with more than 6 per cent DGP growth rate for the last two decades or so. However, the new economic order has posed severe challenges to the agricultural and rural sectors of the economy. Overall, it indicates that openness promotes faster growth. Still, the question remains as to what this might do for the rural enterprises, particularly as little FDI flows into agriculture, least of all small-scale agriculture. The effect of globalization on rural enterprises depends upon the changes in GDP and changes in income distribution. The evidence suggests that the rural entrepreneur overall are substantially included as beneficiaries from economic growth. However, the extent of inclusion varies internationally. As discussed earlier, free trade and openness results in faster growth. Growth might be expected to specifically benefit the rural entrepreneur to the extent that the agricultural sector is included in the economic expansion. In fact, there is little evidence that trade expansion in India has actually taken this form.

3) Technological effect

Transfer of technology is one of the prominent features of globalization and one of the major reasons for predicting improved growth. Many formerly small rural entrepreneurs saw major improvements in their businesses, but the improvements were in a very limited area and to a very limited number of entrepreneurs. The focus today is on the potentials and dangers of biotechnology. In principle, the benefits here too may be large. The benefits may be from raising productivity, reduced risks of drought and pests, as well as lower food prices. Biotechnology research has been more relevant to the problems of high-income countries.

The benefits tend to be specific to particular environments, conditions or markets. As small number of multinational corporations is also carrying out much of the research. There has been a general focus upon the problems of rural entrepreneurs in rich countries, with little attention being paid to developing countries' like India's basic food crops and the problems of their small farmers.

4) Distributional Effect

It is not possible to gauge the overall effect of globalization on the level of inequality; the effect on women entrepreneur in rural area is less ambiguous. Many rural women entrepreneurs are hampered from benefiting from the changes arising from globalization. They have less access than men to education and training, less time to devote to productive activities, less command over important resources such as land, credit and capital. In income developing countries, the sexual division of labour precludes women from income derived from cash crops. In addition, they also have less incentive to respond to economic signals, since they are likely to have less control over any income.

5) Transformational and insecurity effect

Rural entrepreneurship is not always directly related to income. It can also refer to an intense level of insecurity. Many times those who have managed to improve their position are pressed back down again by natural disasters, inflation and other shocks. Some aspects of globalization increase such problems. Globalization is generally associated with the accelerated pace of change in economic life and increased competitive pressures. This requires a speedy adaptation, which may simply be outside the range of those with few modern skills or other assets. As indicated earlier, globalization is linked to increased specialization, but this, for all its advantages, increases risks for rural

entrepreneurs by pushing them to ‘play all their cards’. These factors are further compounded by the transformational and insecurity effect due to volatile environment. Greater financial interdependence amongst national economies, resulting from globalization, has the effect of transferring or spreading shocks from one nation to another. This can be seen from the financial crisis in the last year (2008) which affected the world, leading to a global slowdown. The enormous cross-border movements of highly mobile financial capital and the difficulties of regulating this have resulted in the tendency for financial shocks to spreading around the world. Many of these shocks coming from the rest of the world hit the urban sector hardest. Still, there are a number of channels through which the effect is transferred to the rural enterprises.

6) Policy

Government of India has, in a sense, discriminated against agriculture and those enterprises that depend upon it. This ‘discrimination’ has typically taken the form of overvalued exchange rates, state trading monopolies for domestic and external marketing of agricultural commodities. Additionally, the revenues from commodity exports have been used for the growth of civil services and urban development, rather than reinvestment in agriculture.(Santhi N. and Kumar R.S,2011)

Challenges faced by Rural Entrepreneurship in India

Family Challenges:

Convincing to opt for business over job is easy is not an easy task for an individual. The first thing compared is – Will you make more money in the business of your choice or as a successor of family business. This is where it

becomes almost impossible to convince that you can generate more cash with your passion than doing what your Dad is doing.

Social Challenges:

Family challenges are always at the top because that is what matter the most but at times social challenges also are very important. Let us say you and your friend graduated at the same time. You opted for entrepreneurship and your friend opted for a job. He now has a flat, car and what not because he could easily get those with a bank loan but you still have nothing to show off and this is where the challenge comes.

Technological Challenges:

Indian education system lags too much from the Job industry as a whole but then it lags even more when it comes to online entrepreneurship. What technology would be ideal and how to use that technology effectively?

Financial Challenges:

(Difficulty in borrowing fund): Financial challenges are a lot different in India especially for online entrepreneurs. When you are starting out as an entrepreneur you don't opt for venture funding but try to go to funding for small to medium business people. Many such non-technical business people don't understand the online business models as a whole and so getting an initial business funding from them becomes challenging. The other option you can think of is a loan but bank loan is not at all an option in India for new online entrepreneurs.

Policy Challenges:

Now and then there is lots of changes in the policies to change in the government. Problems of TRIPS and TRIMS. Problems of raising equity

capital, Problems of availing raw-materials, Problems of obsolescence of indigenous technology Increased pollutions Ecological imbalanced. Exploitation of small and poor countries etc.(Choudhary.K,2011)

A. Opportunities

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

B. Challenges for Rural Entrepreneurs

- Growth of Mall Culture
- Poor Assistance
- Power Failure
- Lack of Technical know how

- Capacity Utilization
- Infrastructure Sickness

C. Opportunities for Rural Entrepreneurs

- Crashed Scheme for Rural Development.
- Food for Work Program.
- National Rural Employment Program.
- Regional Rural Development Centres.
- Entrepreneurship Development Institute of India.
- Bank of Technology.
- Rural Innovation Funding.
- Social Rural Entrepreneurship.

Problem of Rural Entrepreneurship

Entrepreneurs are playing very important role in the development of economy. They face various problems in day to day work. As the thorns are part of roses, similarly every flourishing business has its own kind of problems. Some of the major problems faced by rural entrepreneurs are as under.

I. Financial Problems

• Paucity of Funds

Most of the 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. Lack of finance available to rural entrepreneurs is one of the biggest problems which rural entrepreneur is born now days especially due to global recession. Major difficulties faced by rural entrepreneurs include low

level of purchasing power of rural consumer so sales volume is insufficient, lack of finance to start business, reduced profits due to competition, pricing of goods and services, Financial statements are difficult to be maintained by rural entrepreneur, stringent tax laws, lack of guarantees for raising up of loans, difficulty in raising capital through equity, dependence on small money lenders for loans for which they charge discriminating interest rates and huge rent and property cost. These all problems create a difficulty in raising money through loans. Landlords in Punjab proved to be a major source of finance for rural entrepreneurs but the rates of land are reduced due to global recession so they also lack hard cash nowadays. Some banks have not ventured out to serve rural customers because banks are expensive to be reached by rural customers and, once reached, are often too poor to afford bank products. Poor people often have insufficient established forms of collateral (such as physical assets) to offer, so they are often excluded from traditional financial market. The government is providing subsidies to rural areas but due to the high cost of finance, these subsidies are not giving fruitful results. Major sources of finance in rural areas are loans from regional rural banks or from zamindars but their rate of interest is usually very high. The government has various institutions for this purpose but the results are not up to the level expected. Industrial Finance Corporation of India (IFCI), Industrial development bank of India, Industrial Credit and Investment Corporation of India (ICICI), Small Scale Industry development bank of India (SIDBI) are some of the national level (SFC) institutions that are helping out rural entrepreneurs. Some state level institutions are also working like a State Financial Corporation and State Industrial Development Corporation (SIDC). These institutions provide assistance for setting up of new ventures and side by side for modernization and expansion of

existing ones but their terms and conditions are very strict to be handled. Various schemes like composite loan scheme, tiny unit scheme, scheme for technical entrepreneurs etc. had started but they are unable to meet the expectation of rural entrepreneur. Raising funds through equity is little bit difficult for rural entrepreneurs because of lack of financial knowledge and also their financial corpus is also low, so loans are the primary source of finance for them which proved to be a great obstacle in developing rural entrepreneurship. Various policies of RBI regarding priority sector lending failed to achieve its objectives. Micro financing movements started in India worked well. Self-help groups from the basic constituent unit of micro finance movement in India. Self-help groups are a group of a few individuals who pool their savings into a fund from which they can borrow as and when necessary. Such a group is linked with banks but joining an existing SHG is often a costly affair for an aspiring villager as in order to maintain parity among the members, a new member has to join by depositing the total accumulated individual savings and interest of groups. So starting new SHG is an easy as compared to join existing one. NGO's also played important role in rural development. These NGO's are usually registered as societies and trust. They have less capital resources as they cannot raise equity capital.

- **Lack of Infrastructural Facilities**

The growth of rural entrepreneurs is not very healthy in spite of efforts made by government due to lack of proper and adequate infrastructural facilities.

- **Risk Element**

Rural entrepreneurs have less risk bearing capacity due to lack of financial resources and external support.

II. Marketing Problems

• Competition

Rural entrepreneurs face severe competition of large sized organizations and urban entrepreneurs. They incur the high cost of production due to high input cost. Major problems faced by marketers are the problem of standardization and competition from large scale units. They face the problem in fixing the standards and sticking to them. Competition from large scale units also creates difficulty for the survival of new ventures. New ventures have limited financial resources and hence cannot afford to spend more on sales promotion. These units are not having any standard brand name under which they can sell their products. New ventures have to come up with new advertisement strategies which the rural people can easily understand. The literacy rate among the Problems Faced by Rural Entrepreneurs and Remedies to Solve It rural consumer is very low. Printed media have limited scope in the rural context. The traditionally bounded nature, cultural backwardness and cultural barriers add to the difficulty of communication. People in rural areas mostly communicate in their local dialects and English and Hindi are not understood by many people. It has been seen in the recent past that in spite of enough food stocks with government warehouses, people are dying of starvation. This indicates a problem with the public distribution system. The producers are not collective in their approach for marketing their products because they are too widely scattered and uneducated.

• Middlemen

Middlemen exploit rural entrepreneurs. The rural entrepreneurs are heavily dependent on middlemen for marketing of their products who pocket large amount of profit. Storage facilities and poor mean of transport are other

marketing problems in rural areas. In most of the villages, farmers store the produce in open space, in bags or earthen vessels etc. So these indigenous methods of storage are not capable of protecting the produce from dampness, weevils etc. The agricultural goods are not standardized and graded.

III. Management Problems

• Lack of Knowledge of I.T

Information technology is not very common in rural areas. Entrepreneurs rely on internal linkages that encourage the flow of goods, services, information and ideas. The intensity of family and personal relationships in rural communities can sometimes be helpful but they may also present obstacles to effective business relationships. Business deals may receive less than rigorous objectivity and intercommunity rivalries may reduce the scope for regional cooperation. Decision making process and lines of authority are mostly blurred by local politics in rural areas.

• Legal formalities

Rural entrepreneurs find it extremely difficult in complying with various legal formalities in obtaining licenses due to illiteracy and ignorance.

• Procurement of Raw Materials

Procurement of raw materials is really a tough task for rural entrepreneurs. They may end up with poor quality raw materials, may also face the problem of storage and warehousing.

• Lack of Technical Knowledge

Rural entrepreneurs suffer a severe problem of lack of technical knowledge. Lack of training facilities and extensive services create a hurdle for the development of rural entrepreneurship.

- **Poor Quality of Products**

Another important problem is growth of rural entrepreneurship is the inferior quality of products produced due to lack of availability of standard tools and equipment and poor quality of raw materials.

IV. Human Resources Problems

- **Low Skill Level of Workers**

Most of the entrepreneurs of rural areas are unable to find workers with high skills. Turnover rates are also high in this case. They have to be provided with on the job training and their training is generally a serious problem for the entrepreneur as they are mostly uneducated and they have to be taught in the local language which they understand easily. The industries in rural areas are not only established just to take advantage of cheap labor but also to bring about an integrated rural development. So rural entrepreneurs should not look at rural area as their market, they should also see the challenges existing in urban areas and be prepared for them. Rural entrepreneurs are generally less innovative in their thinking. Youths in rural areas have little options “this is what they are given to believe”. This is the reason that many of them either work as farm or migrate to urban land.

- **Negative Attitude**

The environment in the family, society and support system is not conducive to encourage rural people to take up entrepreneurship as a career. It may be due to lack of awareness and knowledge of entrepreneurial

opportunities. The young and well educated mostly tend to leave. As per circumstances, rural people by force may be more self-sufficient than their urban counterparts, but the culture of entrepreneurship tends to be weak. Continuous motivation is needed in case of rural employee which is sometime difficult for an entrepreneur to Problems In Rural Entrepreneurship Entrepreneurs are playing very important role in the development of economy. They face various problems in day to day work. As the thorns are part of roses, similarly every flourishing business has its own kind of problems. Some of the major problems faced by rural entrepreneurs are as under. (www.iosrjournals.org)

Conclusion and Recommendation

From the above analysis we can conclude that Rural entrepreneurship should not only set up enterprises in rural areas but should be also using rural produce as raw material and employing rural people in their production processes. Rural entrepreneurship is, in essence, that entrepreneurship which ensures value addition to rural resources in rural areas engaging largely rural human resources. In other words, this means that finished products are produced in rural areas out of resources obtained in rural areas by largely.

Thus the rural entrepreneurship is a vital for rural economic development. There are several reasons for the increasing interest in entrepreneurship especially in rural regions and communities. The rural entrepreneurs play important role in driving local and national economies. The structure of rural economies is essentially composed of small enterprises, which are responsible for most of the job growth and the innovation. Moreover, small businesses represent an appropriate scale of activity for most rural economies. Traditional

approaches to recruitment and retention are just not working for most places, and states are looking for viable alternatives which mainly include entrepreneurship. Rural entrepreneurs have successfully diversified into or started new businesses in markets as diverse as agri-food, crafts, recycling, leisure and health.

There are some recommendations which may enhance the worth of rural entrepreneurship in the future.

- Encourage skilled and professional people who have left in the rural community to come back in the main stream of the economic activities.
- To develop region through start up new companies or organization attract.
- To the area, laid-off skilled labour from nearby region and generate employment and provide job opportunities.
- To promote specific types of businesses depends upon the rural environment from the financial point of view nurture a pool of potential growth enterprises through micro equity investments and foster greater access to capital for start-up firms.
- To meet particular local employment needs.
- To help develop flexible manufacturing networks of co-operatives, micro and other manufacturing businesses.
- To develop and produce a particular product that none of the firms could manufacture alone.
- To intensify training programmers to build the vocational skills for rural population.

- To develop ways by which diversify product lines and markets and expand distribution channel.
- To promote co-operation between small firms in the network, thus promoting their competitive efficiency;
- To provide different services in the areas of finance, marketing, research and development; and
- To Provide common services of daily matters in production and administration in order to reduce transaction costs.
- In encouraging entrepreneurship in rural entrepreneurship all above stated characteristics are essential and also needed training to the entrepreneurs.
- Start Small Branding work should come first Push through the discomfort.
- To Curse of knowledge can be a barrier to development.

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