

Rural Entrepreneurship and Economic Development in India

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Abstract : Present paper attempts to study the role of rural entrepreneurship in economic development in India. Agriculture continues to be the back bone of rural society. As per this study, 70 per cent of holdings are held by small and marginal farmers resulting in overcrowding on the agricultural land and diminishing farm produce. Marketing problems are related with distribution channels, pricing, product promotion etc. Rural entrepreneurs should be ensured of proper supply of scarce raw materials on priority basis. Thus, proper education, comprehensive training, setting up of separate financial institutions, development of marketing co-operatives to a large extent help to flourish the rural entrepreneurs in India. Further, both government and non-government agencies should play an important role.

Keywords: Entrepreneurship, economic development, marketing etc.

❖ Introduction:

Agriculture continues to be the back bone of rural society. As per this study, 70 per cent of holdings are held by small and marginal farmers resulting in overcrowding on the agricultural land and diminishing farm produce. This also results in migration of farm worker in large numbers to the urban areas. In both the cases the population remains under poverty line. Entrepreneurship can play an important role in rural development. “Entrepreneur means one who creates a product on his own account, whoever undertakes on his own an industrial/trading enterprise in which work men are employed”. If entrepreneurships really encouraged in rural area it would, of course, be instrumental in changing the face of rural areas by solving the problems of unemployment, poverty, economic disparity, poor utilization of rural capacity, low level of standard of living .Majority of the population still lives in rural India and the large chunk of population in urban areas still live through the learning of a village life. For the strength of the country there is a necessity to develop the villages.

❖ Objective of Study:

- To study the concept of rural development.
- To study the roles of Rural Entrepreneurs in Economic Development
- To analyse the problems faced in growth of rural entrepreneurs in India.
- To find out the remedies for solving the problems of rural entrepreneurs in India.

❖ Source of Data:

The present study is based on secondary data sources. Secondary data collected from books, journals as well as related websites.

❖ **Concept of Rural Development:**

The term 'rural development' is of focal interest and is widely acclaimed in both the developed and the developing countries of the world. There is however no universally acceptable definition of rural development and the term is used in different ways and in vastly divergent context. As a concept, it can notes overall development of rural areas with a view to improve the quality of life of rural people. In this sense it is a comprehensive and multidimensional concept and encompasses the development of agriculture and allied activities-village and cottage industries and crafts, socio- economic infrastructure, community services and facilities, and above all, the human resources in rural areas. In the words of Robert Chambers, "Rural Development is a strategy to enable a specific group of people poor rural women and men, to gain for themselves and their children more of what they want and need. It involves helping the poorest among these who seek a livelihood in the rural areas to demand and control more of the benefits of rural development. The group includes small scale farmers, tenants and the landless.

❖ **Roles of Rural Entrepreneurs in Economic Development**

Formation of Capital

Entrepreneurs by placing profitable business proposition attract investment to ensure private participation in the industrialization process. The otherwise idle savings are channelized for investment in business ventures which in turn provides return. Again the savings are invested giving a multiplier effect to the process of capital formation.

Balanced Regional Development

The entrepreneurs always look for opportunities in the environment. They capitalize on the opportunities of governmental concessions, subsidies and facilities to set up their enterprises in undeveloped areas. The setting up of still plant at Tata nagar, Reliance Petrochemicals at Jamnagar (Gujarat) have resulted in the development of Good Township and peripheral regional development. Thus entrepreneurs reduce the imbalances and disparities in development among regions.

General Employment

This is the real charm of being an entrepreneur. They are not the job seekers but job creators and job providers. With the globalization process the government jobs are shrinking leaving many unemployed.

Improvement in Standard of Living

Entrepreneurial initiative through employment generation leads to increase in income and purchasing power which is spent on consumption expenditure. Increased demand for goods and services boost up industrial activity. Large scale production will result in economies of scale and low cost of production. Modern concept of marketing involves creating a demand and then filling it. New innovative and varying quality products at most competitive prices making common man's life smoother, easier and comfortable are the contribution of entrepreneurial initiative

Increase in per Capita Income

Entrepreneurs convert the latent and idle resources like land, labour and capital into goods and services resulting in increase in the national income and wealth of a nation.

The increase in national income is the indication of increase in net national product and per capita income of the country.

National Self-reliance

Entrepreneurs are the corner stores of national self-reliance. They help to manufacture indigenous substitutes to imported products which reduce the dependence on foreign countries. There is also a possibility of exporting goods and services to earn foreign exchange for the country. Hence, the import substitution and export promotion ensure economic independence and the country becomes self-reliance.

Planned Production

Entrepreneurs are considered as economic agents since they unite all means of production. All the factors of production i.e., land, labour, Capital and enterprise are brought together to get the desired production. This will help to make use all the factors of production with proper judgment, perseverance and knowledge of the world of business. The least combination of factors is possible avoiding unnecessary wastages of resources.

Equitable Distribution of Economic Power

The modern world is dominated by economic power. Economic power is the natural outcome of industrial and business activity. Industrial development may lead to concentration of economic power in few hands which results in the growth of monopolies.

❖ 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.

I) Financial Problems

1) Scarcity 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 bearing 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. Major sources of finance in rural areas are loans from regional rural banks or from *zamindars* but their rate of interest are usually very high. Government has various institutions for this purpose but the results are not up to the level expected.

2. 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.

3. Risk Element

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

II) Marketing Problems:

1. Competition

Rural entrepreneurs face severe competition from large sized organizations and urban entrepreneurs. They incur 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.

2. 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 means 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:

1. 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 sometime 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.

2. Legal Formalities

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

3. Procurement of Raw Materials

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

4. Lack of Technical Knowledge

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

5. Poor Qualities 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 Resource Problems

1. 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 entrepreneur as they are mostly uneducated and they have to be taught in local language which they understand easily. The industries in rural areas are not only established just to take advantage of cheap labour 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.

2. 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 whom is sometime difficult for an entrepreneur to impart with.

❖ Remedies:

Different organization like IFCI, ICICI, SIDBI, NABARD etc. are trying to sort these problems. Marketing problems are related with distribution channels, pricing, product promotion etc. In order to make the rural entrepreneurs to start the business venture, the following measures may be adopted:

1. Creation of finance cells

The financial institutions and banks which provide finances to entrepreneurs must create special cells for providing easy finance to rural entrepreneurs.

2. Concessional rates of interest

The rural entrepreneurs should be provided finance at concessional rates of interest and on easy repayment basis. The cumbersome formalities should be avoided in sanctioning the loans to rural entrepreneurs.

3. Proper supply of raw materials

Rural entrepreneurs should be ensured of proper supply of scarce raw materials on priority basis. A subsidy may also be offered to make the products manufactured by rural entrepreneurs cost competitive and reasonable.

4. Offering training facilities

Training is essential for the development of entrepreneurs. It enables the rural entrepreneurs to undertake the venture successfully as it imparts required skills to run the enterprise. Presently the

economically weaker entrepreneurs of the society are offered such training facility under Prime Minister's Rozgar Yojna. (PMRY) Programmed FICCI, (NGOs) Lions Clubs, Rotary Clubs and voluntary organizations can also arrange such training programmers for rural entrepreneurs to provide them stimulation counselling and assistance .For rural entrepreneurs, individual based EDI' approach is highly relevant where the motivation and familiarization processes coupled with promise of bank credit and support by way of escort services could persuade rural youth with certain basic skills of- hands on technology to start small enterprises.

5. Setting up marketing co-operatives

Proper encouragement and assistance should be provided to rural entrepreneurs for setting up marketing co-operatives. These co-operatives shall help in getting the inputs at reasonable rate and they are helpful in selling their products at remuneration prices.

Hence, middlemen can be avoided and rural entrepreneurs derive the benefits of enterprise. Common production-cum-marketing centers should be set up with modern infrastructural facilities.

Thus, proper education, comprehensive training, setting up of separate financial institutions, development of marketing co-operatives to a large extent help to flourish the rural entrepreneurs in India. Further, both government and non-government agencies should play an important role.

❖ Conclusions

Rural entrepreneur is a key factor in economic development of India. Rural entrepreneurship is the way of converting developing country into developed nation. Rural entrepreneurship is the answer to removal of rural poverty in India. Therefore, there should be more stress on integrated rural development programs. The problem is that most of the rural youth do not think of entrepreneurship as the career option. Therefore, the rural youth need to be motivated to take up entrepreneurship as a career, with training and sustaining support systems providing all necessary assistance. There should be efficient regulated market and government should also lend its helping hand in this context. Grading and standardization should be promoted and promotional activities should be enhanced. NGO's should be provided full support by government.

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