

ROLE OF ENTREPRENEURSHIP IN RURAL DEVELOPMENT – AN ANALYSIS

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ABSTRACT:

The villages are back bone of the nation. India's two third populations and 70% workforce residing in rural areas. People in rural areas are suffering with unemployment, poor infrastructure facilities which may be solved with the development of rural entrepreneurs. Rural entrepreneurship can be considered one of the solutions to reduce poverty, migration, economic disparity, unemployment and develop rural areas and backward regions. Rural entrepreneurs play an important role in the national economy, particularly in the rural development. But there are many problems in developing a rural enterprise because rural entrepreneurs are facing many problems like non availability of primary amenities in rural area, lack of education, financial problems, and insufficient technical and conceptual ability. In this study, an attempt has been made to examine the performance of rural industries in terms of productions, sales and employment for ten years covering the period 2011-12 to 2020-21 in India. Thus, this paper also attempts to find out the problems and the recommendations to solve the problems.

Keywords: Rural Entrepreneurship, Village Industries, Performance, Problems, Rural Development.

1. INTRODUCTION:

India is predominantly a rural country with two third populations and 70% workforce residing in rural areas. Rural economy constitutes 46 per cent of national income. Despite the rise of urbanisation more than half of India's population is projected to be rural by 2050. The economic development of our country largely depends on the progress of rural areas and the standard of living of rural masses. Village or rural industries play an important role in the national economy, particularly in the rural development. Rural entrepreneurship is based on stimulating local entrepreneurial talent and the subsequent growth of indigenous enterprises. 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, and new products and generates employment opportunities thereby ensuring continuous rural development.

Rural entrepreneurship has emerged as a dynamic concept. It is generally defined as entrepreneurship emerging at village level which can take place in a variety of fields of Endeavour such as business, industry, agriculture and acts as a potent factor for economic development. 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".

2. OBJECTIVE OF THE STUDY

The objectives of the present study are:

- To know the various types of rural entrepreneurship.
- To analyse the performance of rural industries.
- To know the importance of rural entrepreneurship.
- To study the problems of rural entrepreneurship.

3. RESEARCH METHODOLOGY

The present study is based on secondary data in analytical nature. Statistical and mathematical tools such as simple growth rate and percentages are used. The sources of data are Annual Reports of Ministry of Micro Small and Medium Enterprises, Udyog Bhavan, New Delhi. To analyze progress made by Rural Industries in production, sales and employment, percentages and simple growth rate is calculated. (In this study, simple growth rate is indicated by GR. $GR = \frac{Y_t - Y_0}{Y_0} \times 100$ where Y_t indicates value of given parameter in current year and Y_0 indicates value of given parameter in previous year).

4. REVIEW OF LITERATURE:

The review of literature helps to understand the importance, background and present situation related to the subject selected for the study. Therefore it is necessary to review relevant and latest literature related to the subject matter. A number of studies related to role of entrepreneurship in rural development have been conducted. Here, an attempt is being made to provide an overview of various aspects and issues of this study through the review of existing literature. Some of the main studies selected for review have been discussed below.

Keeble *et al.* (1992), in their research work found that SMEs in rural areas in the UK have better performance than that of their urban counterparts in terms of employment growth.

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.

Storey (1994) in his study found that policy measures can influence the level of entrepreneurship.

Lyson (1995) indicated the prospects of small-enterprise framework as a possible rural development strategy for the economically disadvantaged communities.

Vaessen and Keeble (1995) revealed that the external environment in the more remote rural areas presents challenges for SMEs, which they need to adapt to if they are to survive and grow.

Sherief, (2005) attempted to understand the determinants of rural entrepreneurship and the environment conducive to its development. The study concluded that to accelerate economic development in rural areas, it is necessary to promote entrepreneurship.

Ramalingam and Gayatri (2009) stated that innovation could be used as a strategic tool for development of entrepreneurship. The study concluded that small innovation in the rural area would definitely catch up the majority of the population, thereby leading to better quality of life of many people in the country.

Ganly, Kate and Mair, Johanna (2009) stated that one way to conceptualize the role of social entrepreneurs in social change processes is to view them as institutional entrepreneurs, i.e., entrepreneurial actors who introduce and push through the alternative conceptions of social, political or cultural order. The study addresses the issues of institutionalized inequality and social exclusion through community development work in eastern India.

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.

Mehta, (2011), in his study indicated that many Indian companies including MNC started developing business strategies to tap the untapped rural market in India.

The study will be helpful for the various agencies to formulate plans and policies in order to boost the rural entrepreneurship in India. This may help to make the Indian rural market as a critical force in the global economy. From the review of literature as mentioned above, we found few studies in the context of rural development in India. Hence, the present study is just another attempt to contribute to the existing literature.

5. TYPES OF RURAL ENTREPRENEURSHIP

The rural entrepreneurship can be classified as follows:

5.1 Agricultural entrepreneurs:

Individuals whose primary occupation is agriculture are agricultural entrepreneurs. In fact, in the later 18th century physiocratic economists called the agricultural cultivators, as entrepreneurs. Agro Based Enterprises: This category includes direct sale or processing of agro products such as jiggery, pickles, sugar industries, oil processing from oil seeds, dairy products, fruit juice, spices etc.

5.2 Artisan Entrepreneurs

Artisans are skilled persons working in villages. They are an important part of the village community. The Reserve Bank of India has identified more than 100 crafts pursued by artisans in villages. These entrepreneurs acquire their skills through professional training in association with their kinship group. Important classes among them are carpenters, blacksmiths, Textile Industry, Handicrafts, Engineering and services, weavers, potters, etc.

5.3 Merchant and Trading Groups

The small segment of the rural community is engaged in business activities. They run petty shops, do commission business, buy the farmers products in the village itself and sell in urban area for profit. This group was perceived to be traditionally exploitative class.

5.4 Tribal Entrepreneurs

Tribal entrepreneurs are predominantly found in the tribal villages. They are so called because their source of origin is the tribal community. They could be regarded as an entrepreneurial class by itself. Traditionally they did not pursue any occupation and depended on forest produce for livelihood. Hence, whatever the occupation pursued by them is considered to be entrepreneurial.

6. PERFORMANCE OF RURAL ENTREPRENEURSHIP

The performance of the rural industries in respect of production, sales and employment is shown in the following table:

Table – 6.1:

Production & Sale of Village Industries Products

| YEAR | PRODUCTION (Rs. In crores) | GROWTH RATE (In percentage) | SALES (Rs. In crores) | GROWTH RATE (In percentage) |
|---------|-------------------------------|--------------------------------|--------------------------|--------------------------------|
| 2011-12 | 21135.1 | - | 25829.3 | - |
| 2012-13 | 23262.31 | 10.06 | 26818.13 | 3.82 |
| 2013-14 | 25298 | 8.75 | 30073.16 | 12.13 |
| 2014-15 | 26689.4 | 5.50 | 31965.5 | 6.29 |
| 2015-16 | 33424.6 | 25.23 | 40384.6 | 26.33 |
| 2016-17 | 41110.3 | 22.99 | 49991.6 | 23.78 |
| 2017-18 | 46454.8 | 13.00 | 56672.2 | 13.36 |
| 2018-19 | 56255.2 | 21.09 | 71113.7 | 25.48 |
| 2019-20 | 65343.1 | 16.15 | 84664.3 | 19.05 |
| 2020-21 | 76582.4 | 17.20 | 101307 | 19.65 |

Source: Compiled from various issues of MSME annual reports.

The above table reveals the performance of village or rural industries in respect of production and sales. Village Industries have shown growth over the previous year. Production and Sales have grown consistently from total production worth Rs. 21135.1 Crores in 2011-12, the number stood at Rs. 76582.4 Crores in 2020 – 21. Similarly, sales of goods produced by Village Industries have shown growth from Rs. 25829.3 Crores in 2011-12 to Rs. 101307 Crores in 2020 – 21. Annual growth rate also increased remarkably from 10.06% to 17.20% in production and from 3.82% to 19.65% in sales of Village Industries.

Table – 6.2:

Employment under Village Industries

| YEAR | EMPLOYMENT (Artisan in Lakh) | GROWTH RATE (In percentage) |
|---------|---------------------------------|--------------------------------|
| 2011-12 | 108.65 | - |
| 2012-13 | 114.05 | 4.97 |
| 2013-14 | 119.4 | 4.69 |
| 2014-15 | 123.19 | 3.17 |
| 2015-16 | 126.76 | 2.89 |
| 2016-17 | 131.84 | 4.00 |
| 2017-18 | 135.71 | 2.93 |
| 2018-19 | 142.03 | 4.65 |
| 2019-20 | 147.76 | 4.03 |
| 2020-21 | 154.12 | 4.30 |

Source: Compiled from various issues of MSME annual reports.

The above table reveals the performance of village or rural industries in respect of employment. Village Industries Employment has grown from years, from 108.65 Lakhs Artisans in 2011 – 12 to 154.12 Lakhs Artisans in 2020 – 21. But which regards to the employment, the annual growth rate is declining from 4.97% in 2012-13 to 4.30% in 2020-21.

7. IMPORTANCE OF RURAL ENTREPRENEURSHIP:

The importance of rural entrepreneurship is briefly highlighted as follows:

7.1 Provides employment opportunities

Rural entrepreneurship is labour intensive and creates large scale employment opportunities for the rural people. Rural entrepreneurship provides a clear solution to the growing problem of large-scale unemployment and underemployment of rural India.

7.2 Reduces on migration of rural population

Rural population moves towards urban for various reasons like income generation, searching good job, utilize various facilities etc. Rural entrepreneurship will bring in or develop infrastructural facilities like roads, power, bridges etc. It reduces the gaps and disparities in income between rural and urban areas. Rural entrepreneurship can avoid the migration of people from rural to urban areas in search of jobs.

7.3 Balanced regional development

Rural entrepreneurship controls the concentration of industry in urban areas and thereby promotes balanced regional development in the economy.

7.4 Promotion of artistic activities

Rural industries also help protect and promote the art and handicrafts, i.e. the age-old rich heritage of the country.

7.5 Solution for social evils

The growth of rural entrepreneurship reduces the social evils like poverty, social tensions, atmospheric pollution, the growth of slums and ignorance of inhabitants etc.

7.6 Encourages the rural youth

Rural entrepreneurship encourages young and promising entrepreneurs to develop and carry out entrepreneurial activities in the rural sector.

7.7 Improves standard of living

Rural entrepreneurship will also increase the literacy rate of rural people. Their education and self-employment will prosper the community, thus improving their standard of living.

7.8 Proper utilisation of local resources

Rural industries help in the maximum utilisation of local resources like raw materials and labour for productive purposes and thus increase productivity. Efficient and effective use of limited resources by the entrepreneurs leads to overall economic development of an area.

7.9 Earnings of foreign exchange

Rural entrepreneurship plays significant role in increasing the foreign exchange earnings of the country through export of their produce.

7.10 Improvement in per capita income

Rural entrepreneurship generates more output, employment and wealth by exploiting new opportunities, thereby helping to improve the per capita income of rural people.

7.11 Produces goods of consumers' choice

Rural industries including cottage and village industries produce goods of individual consumers' taste and preferences, jewelry, saris; artistic products are produced to cater to the needs of different consumer according to their taste, preferences and design.

8 PROBLEMS OF RURAL ENTREPRENEURSHIP

Rural Entrepreneurs are playing very important role in the development of economy. They face various problems in day to day work. Every business has its own kind of problems. Some of the major problems faced by rural entrepreneurs are as under.

8.1 Financial problems :

8.1.1 Scarcity of funds: Most of the rural entrepreneurs are not getting enough financial support.

8.1.2 Lack of infrastructural facilities: The growth of rural entrepreneurs is inhibited due to scarcity of infrastructural facility.

8.2 Marketing problems :

8.2.1 Competition: Rural entrepreneurs face severe competition from large sized organisations. New venture are not getting enough facilities

8.2.2 Middlemen: Rural entrepreneurs are mostly depending on middleman for the marketing of their goods. They causes various problems

8.3 Management problems :

8.3.1 Lack of Knowledge of information technology: Information technology is not very common in rural areas.

8.3.2 Legal formalities: Rural Entrepreneurs find very difficulty in gaining license due to lack of legal knowledge

8.3.3 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.

8.4 Lack of technical knowledge :

8.4.1 Rural entrepreneurs suffer a severe problem due to lack of training facilities and extension services

8.5 Lack of infrastructural facilities

8.5.1 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.

8.6 Non availability of skilled labours

8.6.1 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 SUGGESTIONS

In the 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.
- 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.
- Industrial sheds can be constructed in the rural areas to accommodate rural entrepreneurs and can be provided with all facilities in this shed.
- Rural entrepreneurs have to improve the quality of their products in order to compete with similar other units and also with the large scale industries.
- Industrial co-operatives can be set up on the same lines of Primary agricultural co-operatives in rural areas in order to provide marketing support for the products of rural entrepreneurs, to supply raw materials to the rural industries and to free them from the exploitation of middlemen.

10 CONCLUSIONS

Rural industries play an important role in the national economy, particularly in the rural economy. The entrepreneur is the key to the creation of new enterprises that energize the economy and rejuvenate the established enterprises that make up the economic structure. Therefore, Rural Entrepreneurship is important not only as a means of generating employment opportunities in the rural areas with low capital cost and raising the real income of the people, but also its contribution to the development of agriculture and urban industries. Without rural industrialisation, it would not be easy to solve the problem of unemployment in rural areas. Rural entrepreneurship can be considered one of the solutions to reduce poverty, migration, economic disparity, unemployment and develop rural areas and backward regions.

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