

FORMATION PROBLEMS OF RURAL ENTERPRISES IN ERNAKULAM DISTRICT

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Abstract: In Kerala rural enterprises sector contributes to the process of economic growth, employment generation and balanced regional development. It has the potential to emerge as a strong, vibrant and globally competitive sector in the state's economy. Even though there is a bright prospect for rural enterprises in the district in the context of globalization and increased government support, rural entrepreneurial activities are not thriving well and educated unemployed youth are still reluctant in taking up entrepreneurial activities of their own. A good number of such rural entrepreneurs withdraw from entrepreneurship owing to a myriad of reasons. At this juncture, the researcher tries to understand rural entrepreneurship in terms of its origin, growth and performance and to examine the entrepreneurial problems of rural entrepreneurs during the formation. The analysis and interpretation of the data collected from 270 rural enterprises brought out fruitful findings relating to rural enterprises in Ernakulam district.

Key words: Rural enterprises, Micro enterprises, Entrepreneurial problems and Formation problems.

I. INTRODUCTION

In a developing country like India, rural enterprises are small and informally organized commercial operations owned and operated mostly by a single person. They account for a substantial share of the total employment and Gross Domestic Product (GDP) and contribute significantly to the eradication of poverty and income creation. Academicians, Politicians and Economists support the promotion of rural enterprise for job creation, poverty reduction, and innovation. Rural Enterprises are engaged in activities pertaining to wholesale and retail trade, repair of personal and household goods, manufacture of food products and beverages, manufacture of wearing apparel, manufacture of textiles, Hotels and restaurants, sale, maintenance and repair of motor vehicles and motorcycles, retail sale of automotive fuel, manufacture of furniture, education etc. According to India MSME report 2014, three sub sectors demonstrates promising picture among the rural enterprises such as food processing (high potential because of agro linkage), textiles and innovation and electronics- linkage with IT (Ministry of MSME, 2014).

Mahatma Gandhi was the real promoter of rural industrialization through rural enterprise development with the production of consumer goods and rendering of services. Prior to independence, rural enterprises are commonly termed as cottage and handicraft enterprises (shodhganga.inflibnet). Number of rural enterprise units in India, prior to independence, shows an increasing trend from 1917 (11.5%) to 1947 (24.99%) (Government of India, 1975).

After independence, number of industrial policies were emerged by providing importance to rural enterprises (SSI) because of the reason that such enterprises utilizes local resources and helps to increase consumer goods production. In the year 1956, KVIC was set up to promote rural/village enterprises of India with the responsibility of planning, promoting, organizing, and implementing programmes for the development of Kadi and other rural enterprises.

To address the policy issues regarding rural enterprises and to specify the coverage and investment ceiling of the sector, the MSME Act was established in 2006 which facilitates development of rural enterprises. In 2007, Ministry of Small Scale Industries and Agro and Rural Industries were merged and formed the ministry of MSMEs to design the policies, schemes and programmes in order to assist and monitor the performance of rural enterprises.

The performance of village or rural industries regarding production, sales and employment in India from the year 1997-98 to 2012-13 shows that the rural industrial production was increased to rupees 21,135.06 crore in 2011-12 from rupees 38,95.21 crore in 1997-98 and it was declined to rupees 17,448.31 crore in 2012-13 (Reghurama, 2012). Similar trends were shown in the case of sales of rural industries, because it depends on production, market and tastes of the consumers. Total cumulative employment in the village industries are increased from 42.49 lakhs in 1997-98 to 111.04 lakh in 2012-13. From 2013-2014, again it shows an increasing trend and in 2015-2016 the production of village industries reached to rupees 33424.62 crore, sales rupees 40384.56 crore and employment to 126.75 lakhs (MSME, 2017).

In Kerala rural enterprises sector contributes to the process of economic growth, employment generation and balanced regional development. It has the potential to emerge as a strong, vibrant and globally competitive sector in the state's economy. At this juncture, the researcher tries to understand rural entrepreneurship in terms of its origin, growth and performance and to examine the entrepreneurial problems of rural entrepreneurs during the formation of the enterprise.

1.2 Significance of the study

Rural enterprises assume a significant role in the context of Kerala where there is a chronic unemployment among the educated youth, especially in the rural areas and have the capacity to remove economic backwardness of rural and less developed regions,

reduce regional imbalances, optimum utilization of unexploited natural resources and improvement of standard of living. Institutions and individuals who promote rural development recognize entrepreneurship as a strategic development intervention which could accelerate the rural development process. The study provides insights to the rural entrepreneurs regarding various issues relating to formation and running of their rural enterprises. From the findings of the study the Government has to devise appropriate measures to support them by way of creating and implementing new policies and programs.

1.3 Statement of the problem

Review of literature reveals that no specific study has been carried out to examine the 'Formation Problems of Rural enterprises in Ernakulam District'. In the district rural entrepreneurial activities are not thriving well and educated unemployed youth are still reluctant in taking up entrepreneurial activities of their own. A good number of such rural entrepreneurs withdraw from entrepreneurship owing to a myriad of reasons. In this context, the researcher want to explore pertinent issues relating to rural entrepreneurs at the time of formation of the enterprises which may provide fresh insights into the functioning of rural enterprises in Kerala in general and Ernakulam district in particular.

1.4 Objectives of the study

The objectives of the study are

To review the rural enterprises in India in terms of its growth and performance.

To examine entrepreneurial problems encountered by rural entrepreneurs during the formation of the enterprises.

1.5 Methodology

The study uses both secondary as well as primary data sources. The secondary data have been collected from the official publications, journals, books and official websites. The primary data have been collected from 270 respondents. A structured interview schedule was used to collect required data from the rural entrepreneurs in Ernakulam district.

1.5.1 Sampling design

The entire rural enterprises in the district constitute the population of the study. Out of 15 Block Panchayath in the District, 5 Block Panchayaths were selected randomly and 270 units were selected for the study.

The Statistical Tool used for the study includes mean scores. Statistical Software's Adopted for performing the analysis of the collected data is SPSS.

1.6 Scope of the study

The theoretical scope of the study covers the growth and performance of rural enterprises and rural entrepreneurial problems of the rural entrepreneurs at formation stage. The geographical scope of the study is limited to Ernakulam district and the concept of rural enterprises in the study covers only micro enterprises established in rural areas.

1.7 Limitations of the study

1. The scope of the study is limited to the district of Ernakulam of Kerala state.
2. The study was conducted from the perspective of rural entrepreneurs and enterprises only.

2. Rural entrepreneurship: Meaning and Definition

According to Stevenson, entrepreneurship is the pursuit of opportunity beyond resources controlled (Stevenson's, 1983). Entrepreneurship is the capacity and willingness to develop, organize and manage a business enterprise along with the risks involved, in order to achieve a profit. (Business dictionary.com) It is the starting of a new business with entrepreneurial spirit and is essential to succeed in an ever changing and increasingly competitive global market place. It includes the process of enhancing technology through the creation of new organizations or business enterprises.

Rural Entrepreneurship is that entrepreneurship which ensures value addition to rural resources by engaging rural human resources (Satya pal, Sudipta Ghosh, 2013). A rural enterprise, finds a unique blend of resources, either inside or outside of agriculture (Kushalakshi, 2012). Rural entrepreneurship has different meanings for different people. Entrepreneurship emerging in rural areas is referred to as rural enterprises. This is associated with agriculture and allied activities.

2.1 Rural entrepreneur

An entrepreneur searches for change, responds to it and exploits opportunities. Innovation is a specific tool of an entrepreneur. Hence, an effective entrepreneur converts a source into a resource (Drucker, 1985).

An entrepreneur is a person who creates new combinations of production and distribution factors including new methods of production, products, markets, new sources of supply and a new organizational form. He is a person who is willing to take risks, exploits market opportunities, and eliminates disequilibrium between the supply and demand. He enjoys the ownership and performs the operations of a business (Brijesh Patel, 2013).

Distinct from the other type of entrepreneurs, rural entrepreneur is a person who is residing in the rural area. He carries out entrepreneurial functions by establishing business units in such areas, which have high potential for employment and income generation. It serves as an antidote to the problems of unemployment, helps in reducing disparities of income and increases the regional growth. Village or rural enterprises are grouped into seven major categories, such as Mineral based industry, Forest

based industry, Agro based industry, Polymer and chemical based industry, Engineering and non conventional industry, Textile industry (including Khadi) and Service industry (kvic.org, Government of India, 2011)

2.2 Growth and Performance of Rural Enterprises in India

Mahatma Gandhi was the real promoter of rural industrialization through rural enterprise development with the production of consumer goods and rendering of services. In order to solve the problem of unemployment and to increase the standard of living it is necessary to set up enterprises in rural India. Prior to independence, rural enterprises are commonly termed as cottage and handicraft enterprises (shodhganga.inflibnet). The organized form of these sectors was described under Small Scale Industries with a labour strength of 20-30 and they began to develop rapidly because of regulatory supports. Number of rural enterprise units in India, prior to independence, shows an increasing trend from 1917 (11.5%) to 1947 (24.99%) (Government of India, 1975).

After independence, number of industrial policies were emerged by providing importance to rural enterprises (SSI) because of the reason that such enterprises utilizes local resources and helps to increase consumer goods production. In the year 1956, KVIC was set up to promote rural/village enterprises of India with the responsibility of planning, promoting, organizing, and implementing programmes for the development of Kadi and other rural enterprises.

To address the policy issues regarding rural enterprises and to specify the coverage and investment ceiling of the sector, the MSME Act was established in 2006 which facilitates development of rural enterprises. In 2007, Ministry of Small Scale Industries and Agro and Rural Industries were merged and formed the ministry of MSMEs to design the policies, schemes and programmes in order to assist and monitor the performance of rural enterprises. The ministry have two divisions, small and medium enterprises wing (SME) and agro and rural industry wing (ARI), (MSME, 2017). ARI wing performs the administration of Khadi and Village Industries Commission (KVIC), Coir Board and Mahatma Gandhi Institute for Rural Industrialization (MGIRI). ARI supervises the implementation of the Prime Minister's Employment Generation Programme (PMEGP), Scheme of Fund for Regeneration of Traditional Industries (SFURTI) and A Scheme for Promoting Innovation, Rural industry and Entrepreneurship (ASPIRE). Table 1.1 shows the Performance of village or rural industries from 1997 to 2017.

Table 1.1 Performance of village or rural industries

Year	Production (Rs.in crores)	Sales(Rs.in crores)	Employment(in Lakhs)
1997-1998*	3895.21	4319.38	42.49
2001-2002	7140.52	8383.49	54.16
2004-2004	9263.98	11000.00	62.57
2006-2007	13527.19	18888.21	80.08
2007-2008	16134.32	20819.09	90.11
2008-2009	16753.62	21948.59	94.41
2009-2010	17508.00	23254.53	98.72
2010-2011	19198.85	24875.73	98.72
2011-2012	21135.06	25829.26	103.65
2012-2013**	17448.31	20320.73	111.04
2013-2014	25298.00	30073.16	119.40
2014-2015	26689.00	31965.00	123.19
2015-2016	33424.62	40384.56	126.75

Source: Compiled by the researcher from (Reghurama, 2012) * and (MSME, 2017)*

3. Formation problems of rural enterprises

Being a highly unorganised sector, rural enterprises have to overcome various struggles during the pre commencement stage. The review of literature and discussions with experts in the field helped the researcher to identify problems that are likely to create problems to rural entrepreneurs during the formation stage. These problems are presented in table 1.2 along with their corresponding mean scores which indicate the relative intensity of the given problems.

Table 1.2 Formation Problems of rural entrepreneurs

Formation Problems	Mean	Std. Deviation
Insufficiency in time in identifying an ideal location.	4.53	0.75
Delays due to the intervention of trade competitors	2.83	1.10
Delays due to red -tappism of local authorities.	3.10	1.37
Resentment from the people in the locality.	1.52	1.42
Insufficient knowledge with regard to the accounting /administrative procedure	1.25	0.71
Non availability of experienced employees/workers.	3.63	1.04
Insufficiency of working capital.	3.79	1.18
Lack of knowledge regarding the apt sources of raw materials.	3.39	1.30

Lack of production space.	3.53	1.13
Inadequate knowledge regarding the behavioural characteristics that differentiate the customers.	1.74	0.98

Source: Field survey

N = 270

Table 1.2 shows that 'Insufficiency of time in identifying an ideal location' have the highest mean score ($m = 4.53$) followed by 'Insufficiency of working capital' ($m = 3.79$), 'Non availability of experienced employees/workers' ($m = 3.63$), 'Lack of production space' ($m = 3.53$), 'Lack of knowledge regarding the apt sources of raw materials' ($m = 3.39$) and 'Delays due to red-tapping of local authorities' ($m = 3.10$). The mean scores are represented with the help of bar diagram in figure 1.1 for better understanding.

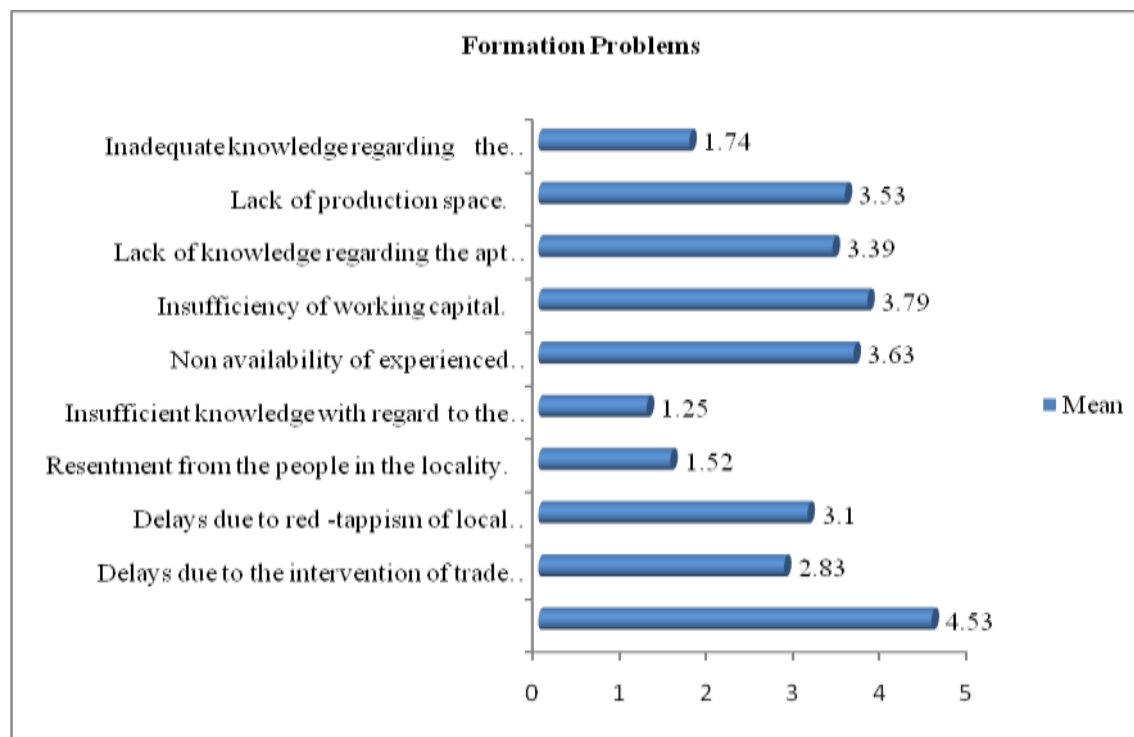


Figure: 1.1 formation problems of rural enterprises

4. Conclusion

Being a highly unorganized sector, rural enterprises have to overcome various struggles during the pre commencement stage. Insufficiency of time in identifying an ideal location, Insufficiency of working capital, Non availability of experienced employees/workers, Lack of production space, Lack of knowledge regarding the apt sources of raw materials and Delays due to red-tapping of local authorities have identified as the most prominent problems faced by the rural entrepreneurs regarding the formation of rural enterprises in Ernakulam district. For addressing the above problems, supporting authorities can provide more awareness programmes regarding sources of materials, availability of financial assistance at concessional rates and adopt liberal credit policies with government guarantee, single window system for licensing with online monitoring systems to check corruption and red-tapping for the better performance of rural entrepreneurs and enterprises.

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