

Rural Entrepreneurship and Inclusive Growth of Indian Economy

Jayan V.K

Associate Professor
Dept of MBA
GSSS Institute of Engineering and
Technology for women, Mysore
jayanvk@gsss.edu.in

B P Mahesh

Professor & Head
Dept of MBA,
GSSS Institute of Engineering and
Technology for women, Mysore
hodmba@gsss.edu.in

Sudhakar R Kulkarni

Assistant Professor
Dept of MBA
GSSS Institute of Engineering and
Technology for women, Mysore
srkulkarni@gsss.edu.in

Abstract

Rural Entrepreneurship refers to the establishment of new entrepreneurial ventures in rural areas. India is a country which accounts around 68% of the population engaged in primary sector which includes agriculture, forestry and fisheries. The country witnessed progress in the field of IT, infrastructure and services, but such industries located mainly in urban areas. This generates a lot of income disparity between the urban and rural livelihoods. Diminishing return from the primary sector is a major concern today. The rural entrepreneurship can fill the gap between urban and rural disparities and can accelerate developmental process and inclusive growth in the country. Rural entrepreneurship can diversify the rural livelihood into a variety of areas and can relief the rural economy from severe financial stress. Rural entrepreneurship will engage the rural workforce in rural areas so that it will stop excess migration from rural to urban areas. Rural entrepreneurship demands skill education among the rural public and as a result, the social and educational status of the rural population becomes elevated. Moreover, rural entrepreneurship can offer value added products out of primary sector raw materials which in turn offer cheaper availability of inputs to the urban companies.

Keywords: *Rural entrepreneurship, Inclusive growth, Economic disparities, Primary sector.*

Introduction

India is a developing country with vast majority of its population engaged in agriculture and living in rural villages. They are suffering from poor infrastructural facilities, poverty, unemployment, climate fluctuations and other natural calamities. The primary sector is not much dependable because of

unexpected factors and may suffer losses in many times. This leads to the income disparity between the urban and the rural population. Rural entrepreneurship can bring solution for the problems of the rural population and can balance the income disparity between the rural and urban population. Rural entrepreneurship can be broadly classified into the following categories.

- **Agriculture based Industries:**
Agro based industries primarily based on the processing of agro-based products. A considerable amount of agricultural products experience losses during the process of supply chain. It can be effectively handled by the introduction of Integrated cold chain, Mega food parks and the implementation of modern food processing units in the rural areas. The farmers or the farmer Producer organization (FPO) can take initiative for agro- based rural entrepreneurship.
- **Forest based Industries**
The forest-based industries are those industries which consumes forest based raw materials for their output. Main forest-based industries in India are Paper industry and timber-based industries. India is blessed with lot of forest resources and setting up of forest industries in forest areas can develop the tribal population in a significant way.
- **Textile Industry Industries**
Textile industries are highly diverse and can offer direct employment to millions of rural populations which can absorb both skilled and unskilled labour. The textile industry in India contributes around 5% to the nations GDP. The rural population can be easily trained for weaving, stitching, cutting and other allied textile activities.
- **Service based Industries**
The rural entrepreneurship can also focus on the service sector like village tourism, rural transportation, financial services, retail business etc. At present, the service sector contributes majority to the nations GDP but today the contribution from the rural service sector is marginal. Setting up rural entrepreneurship in service sector can tap those unused potential.

Back ground of the Study

Entrepreneurship is an economic activity which involves the creation of a new venture by taking risk, utilizing resources and offer value added products to the consumers. Rural entrepreneurship refers to the setting up of business ventures in rural areas. The rural India can provide quality raw materials for rural entrepreneurship, especially from primary sector. This will provide solution for rural unemployment, infrastructure development, rural skill development and rural income inequalities.

Rural entrepreneurship can have more success rate than urban entrepreneurship because rural entrepreneurs are more connected with their land and resources. Moreover, they have deep understanding about their community in which they operate and are more connected among themselves because of cultural and social factors. In spite of these success factors, rural entrepreneurship will face serious challenges in capital acquisition, technology, logistics and supply chain management, and lack of proper infrastructural facilities.

Review of Literature

Amit and Thornhill (2003)¹ conducted study on the failure of rural entrepreneurship and they identified that the failure in rural entrepreneurship is directly linked with the lack of entrepreneurial skills.

Buryat and Julien(2001)² examines the conceptual framework of new start-ups in rural areas and found that many of the first generation entrepreneurs enter into new ventures without proper preparation and experience.

Hazarika, S. (2016)³ examines the effectiveness of skill development programmes and training offered by central and state institutes for rural entrepreneurship in Assam and concluded that only few respondents are aware about such programmes.

Jayapal & Soundarya. M (2016)⁴ examines the challenges associated with setting up business in rural areas. They found that rural entrepreneurship faces serious challenges due to lack of infrastructure, lack of adequate capital and lack of proper training support systems.

Jaya Datta (2017)⁵ studied about the challenges and problems faced by the entrepreneurs in India and extend of they get from the government. He also found that the entrepreneurs are not only satisfying their personal needs but also directly or indirectly contributing to the economic development of the nation.

Kumar Gautam, R., Mishra, K., et.al. (2016)⁶ conducted study on the entrepreneurship of rural women and found that they are lacking entrepreneurial skills, scarcity of capital, lack of confidence, lack of formal education and facing problems of working with male entrepreneurs. They lack contacts with successful women rural entrepreneurs.

Patel, B., & Chavda, K. (2013)⁷ made an attempt to identify the problems faced by rural entrepreneurs especially in the field of marketing, finance and infrastructure and found that the rural entrepreneurs are struggling to find proper market for their products.

Sharif, N., Azam K (2014)⁸ conducted study on rural industrialisation and unemployment problems and observed that rural industrialisation is the only solution to resolve the employment issues in rural areas.

Sharma, M., Chaudhary, V., Bala, R (2013)⁹ conducted study on rural entrepreneurship in developing countries. The study reveals that the lack of infrastructural facilities is the major setback of rural entrepreneurship.

Tripathi, R., & Agarwal, S. (2015)¹⁰ worked on the economic and social barriers faced by rural entrepreneurs in Uttar Pradesh and also studies about the impact of Hermann model. They observed that the social barriers and family issues restrict women from entering into entrepreneurship.

Objective of the Study

The study focuses on the following objectives

- To study about the importance of rural entrepreneurship in Indian economy
- To study abouts the problems and performance of Rural entrepreneurship in India.

Limitations of the Study

The study mainly examines the performance of rural entrepreneurship in India. Rural entrepreneurs are mostly uneducated and no proper business data is available with rural entrepreneurs. The previous studies conducted in this area is very few and some of such studies are not reliable. Hence the present study primarily depends on the limited data issued by MSME development institutes and other governmental agencies.

Research Methodology

The study is descriptive and conceptual in nature. The main data source for the study is secondary data from reliable sources including the annual reports of the Ministry of Skill development and entrepreneurship, Ministry of MSME, latest edition of the Economic survey of India etc. Analysis made on the production, sales, employment and the growth rate of Rural industries were also considered in this study.

Data Analysis and Findings

The study aimed to identify the importance of rural entrepreneurship in the economic development of the country and to identify the problems and potentials of rural entrepreneurship. The data used for the study is secondary data published by the govt machineries and other reliable sources. The research starts with the identification of key elements which led to success of rural entrepreneurship. The key ingredients for the success of rural entrepreneurship are entrepreneurship skills, availability of resources and marketability of the products. The study also reveals that most of the rural entrepreneurs are non-innovators and spend minimum investment in new technologies.

The study considered various factors of rural entrepreneurship and access the levels of skills required to run a rural business successfully. Rural business has unique advantages as well obstacles which is different from the urban entrepreneurship. The following are the finding of the study.

- Rural Entrepreneurship can strengthen the rural economy by way of creating employment opportunities and skill development.
- Rural entrepreneurs are more connected with labour and other resources so that the success rate of rural entrepreneurship can be higher compared with the urban counterpart.
- Rural entrepreneurship lacks infrastructural facilities, capital resources and technology.
- Rural entrepreneurship lacks credit facilities, lack of proper training and support from government agencies.

The study reviewed the importance of entrepreneurship education among the rural entrepreneurs. The first-generation rural entrepreneurs should need proper assistance in technical skills, management skills and marketing skills. The government machineries should introduce entrepreneurship development programs, workshops and offer technical support for the rural entrepreneurs.

Conclusion

Rural Entrepreneurship can be considered as the engine for the growth and development of rural areas. Rural entrepreneurship can be the single solution to reduce unemployment, poverty, economic disparity, urban migration and also to be considered as an effective tool for the development of rural and economically backward regions. Rural Industrialization is the only solution to raise the income of rural population, rural skill development and to improve their standard of living.

References

- Amit, R. & Thornhill, S.,(2003). Learning about failure: Bankruptcy, firm age, and the resource-based view. *Organization Science*, 14(5), 497-509.
- Bruyat C., & Julien (2001). Defining the field of research in entrepreneurship, *Journal of Business Venturing*, 16(2), 165.

- Hazarika, S. (2016). Skill Development for Rural Entrepreneurship: A study on State Institute of Rural Development (SIRD), Assam, 3(3), 61–66.
- Jayapal & Soundarya. M (2016). Opportunities and Challenges of Rural Entrepreneurship in India. Asia Pacific Journal of Research. 1(41), 33-36.
- Jaya Datta, S. (2017). Major Challenges and Problems of Rural Entrepreneurship in India, 19(9), 35–44.
- Kumar Gautam, R., Mishra, K., & Rakesh Kumar Gautam, C. (2016). Study on rural women entrepreneurship in India: Issues and Challenges, 2(2), 33–36.
- Patel, B., & Chavda, K. (2013). Rural Entrepreneurship in India: Challenge and Problems. International Journal of Advance Research in Computer Science and Management Studies, 1(2), 28–37.
- Sharif, N., Azam, K., & Lonik, T. (2014). Entrepreneurship Development as a Catalyst for Rural Tourism. SHS Web of Conferences, 7(8), 2006–2010.
- Sharma, M., Chaudhary, V., Bala, R., & Chauhan, R. (2013). Rural Entrepreneurship in Developing Countries: Challenges, Problems and Performance Appraisal. Global Journal of Management and Business Studies, 3(9), 2248–9878.
- Tripathi, R., & Agarwal, S. (2015). Rural development through Entrepreneurship: A study of farmers in Uttar Pradesh. Global Journal of Advanced Research, 2(2), 534–542.