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The Role of Entrepreneurship in Rural Development: A Study in the Context of India

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Abstract

According to 2011 Census of India 833.1 million and 68.84 per cent population are living in rural areas of India. People in rural areas suffer with unemployment, poor infrastructure facilities which may be solved with the development of the rural entrepreneurs. "Rural Entrepreneurship can be defined as entrepreneurship emerging at village level which can take place in a variety of fields of endeavor such as business,

industry, agriculture and acts as a potent factor for economic development." But, these rural entrepreneurs are suffering with various problems like fear of risk, lack of finance, illiteracy, and competition from the urban entrepreneurs. This paper study is an attempt to understand The Role of Entrepreneurship in Rural Development: A Study in the Context of India.

Keywords: Rural Entrepreneurs in India, Rural Development, Future of Rural Entrepreneurship in India

Introduction

The Make in India (25th September 2014) Strategy adopted by the Prime Minister Shri Narendra Modi aims to facilitate investment, foster innovation, entrepreneurship, enhance skill development in the country. Mahatma Gandhi has rightly pointed out that "India lives in villages." Villages comprise the core of Indian society and represent the real India. Entrepreneurship can play an important role in rural development. Agriculture continues to be the back bone of rural society. 70 per cent of holdings are held by small and marginal farmers resulting in overcrowding on the agricultural land and diminishing farm produce. This results in migration of farm worker in large numbers to the urban areas. Growth and development of rural economy is an essential pre-condition to the development of the country as a whole. The gap between rural urban disparities should be lessened. The standard of living of the rural people should be increased. According to latest definition of 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 is a new field in the area of entrepreneurship research. It has become one of the supportive factors for rural economic development and agribusiness. In this backdrop, the present paper The Role of Entrepreneurship in Rural Development: A Study in the Context of India.

In other words, establishing industrial and business units in the rural areas refers to rural entrepreneurship. The important role of entrepreneurship as a driver of economic growth and diversification has long been recognized at India. Entrepreneurship is also a key component of the India strategy for smart, sustainable and inclusive growth. Entrepreneurship is an emerging research field that has gained importance in the recent years. India is the country of villages. Majority of the population are living in rural areas in India.

Review of Literature

An overview of the relevant and important literature on the research areas under consideration in this study. A literature review distills the existing literature in a subject field; the objective of the literature review is to summarize the state of the art in that subject field. From this review of earlier and recent work, it becomes possible to identify areas in which further research would be beneficial. Ahirrao Jitendra. (2013) ^[3], opined that entrepreneurship is the dynamic process of creating incremental wealth, created by individuals who take the major risks in terms of equity, time and career commitment of providing value to some products or services. Nandanwar, Kalpana P. (2011). Defined entrepreneurial attitude in terms of individual's tendency toward

a specific thing and environment, target, analogous to inclination and factors affecting the formation of attitude. Saxena, Sandeep (2012). Pointed out that the man who organizes the business unit and/or increases its productive capacity is an entrepreneur, Whereas, Santhi, N. and Kumar, S. Rajesh. (2011). defined the entrepreneurship as the ability to recognize and exploit economic opportunity. Entrepreneurship is the purposeful activity (including an integrated sequence of decisions) of an individual or group associated individuals Choudhary, Kishor. (2011) [7], documented a brief discussion of rural industrialization in the prevailing economic situations and an overview of the kind of industrialization in rural economy. Patel, Brijesh and Chavda, Kirit. (2013). argued that rural entrepreneurship occurs in economically and socially depressed areas with inadequate infrastructure, economic stagnation, low levels of education, low skilled workers, low income, and a culture not supportive of entrepreneurship D. Joel Jebadurai (2013) [9]. defined micro entrepreneur as a person who initiate production, takes decision, bears risks, involves, organize and coordinates the other factors in their own prevailing rural conditions, economic structure, social infrastructure and market forces. Bhuvaneswari, H. and Raju, S. (2014). Explored the conceptual framework of rural area and rural entrepreneurship and discussed the need for rural entrepreneurship in India and the emerging entrepreneurs in the context of existing rural entrepreneurs in India.

Objectives

- To review past literature related to rural entrepreneurship and rural Development in India.
- To study scope of rural entrepreneurship and rural Development.
- To know the types rural entrepreneurs and rural Development.
- To know Government Schemes for rural entrepreneurship in India.
- To study Policy Implications for Development of Rural Entrepreneurship.

Methodology

The present research paper is based on the study of secondary data. The data is collected from books, journals and websites.

Review of Indian Government policies aiding rural entrepreneurship

In India, most of the rural industries are Small-scale enterprises and they are given an important place for both ideological and economic reasons. It is well documented that the small scale industries have an important role in the development of the country. It contributes almost 40% of the gross industrial value added in the Indian economy. Government's approach and intention towards industries in general and SSIs in particular are revealed in Industrial policy Resolutions. There are many Government Policies for development and promotion of Small-Scale Industries in India. These are mentioned as below:

Industrial Policy Resolution (IPR) 1948, Industrial Policy Resolution (IPR) 1956, Industrial Policy Resolution (IPR) 1977, Industrial Policy Resolution (IPR) 1980, Industrial Policy Resolution (IPR) 1991, North East Industrial and Investment Promotion Policy (NEIIPP), 2007, Small Industries Development Organization (SIDO),

Entrepreneurship Development Programme (EDP) to train of women and youth. Ministry of Agro and Rural Industries and Ministry of Small Scale Industries have been merged into a single Ministry, as a result, enactment of Micro, Small and Medium Enterprises Development Act, 2006.

The Ministry of Agro and Rural Industries (ARI)

Implements two nation-wide employment generation programmes, namely, Rural Employment Generation Programme (REGP) and Prime Minister's Rozgar Yojana (PMRY). Both these programmes are credit-linked capital subsidy schemes which are implemented through commercial banks. While the REGP is implemented by the KVIC, the PMRY is implemented by the State Governments through the District Industries Centers (DICs).

The Prime Minister's Rozgar Yojana (PMRY) was launched on 2nd October 1993 to assist educated unemployed youth in setting up self-employment ventures. The main objectives of REGP are to generate employment in rural areas, develop entrepreneurial skills and aptitude among rural unemployed youth, achieve the goal of rural industrialization and facilitate participation of banks in the village industries sector so as to ensure higher credit flow to these industries. In the National Common Minimum Programme (NCMP), the UPA government has proposed to revamp the Khadi and Village Industries Commission (KVIC) and launch new programmes for the modernization of coir, handlooms, power-looms, garments, rubber, cashew, handicrafts, food processing, sericulture, wool development, leather, pottery and other cottage industries. In pursuance of the NCMP declaration and the announcement of Finance Minister in his Budget speech of July 2004, a scheme titled the "Scheme of Fund for Regeneration of Traditional Industries" (SFURTI) has been notified in October 2005 for the integrated development of traditional clusters of khadi, coir and village industries, including leather and pottery. Under SFURTI, Annual Report 2006-07 it has been proposed to develop around 100 clusters (25 clusters for khadi, 50 clusters for village industries and 25 clusters for coir industry) over a period of five years commencing 2005-06.

A fruitful measure would be to reserve certain goods for production exclusively by the SSIs and their intelligent outsourcing by the govt. to ensure maximum benefits. Also the govt. should advertise the indigenous goods worldwide so that the foreign folk also go in for the ethnic items produced here like khadi, silk, wool, statues, gems, ornaments, etc. as these represent the traditional art form and culture of the region. As far as the financial aids are concerned, the govt. is doing good work to make things simple and possible for the interested individuals by funding and financial support. Also the setting up of institutes for technical training and skill enhancement of the workforce is helping in a big way.

Scope of Rural Entrepreneurship and Rural Industries

Micro and small scale enterprises have existed in rural India since ages in the form of traditional skills. Recently, rural entrepreneurship has emerged as a dynamic concept. There is lot of scope for rural entrepreneurship in SMEs (Small and Medium Enterprises) sector economy which plays a vital role in providing employment and income for the poor and unemployed in rural areas. As the population grows there will be pressure on land and the growth in the

agricultural production cannot absorb the ever increasing rural labor force in agricultural employment. This leaves the rural non-farm sector in the form of rural SMEs to absorb those released from agriculture but not absorbed in the urban industries. Contributing more than 52% of the GDP and making available more than 75% of all labor force in India the rural sector is best poised for a rapid expansion in the small and medium industry arena. The scope of rural industries is considered basically a question of properly utilizing the unexploited natural and human resources and tapping vast material existing in the countryside. The features of rural industrialization are low investment of capital, labour intensity and use of simple technology by employing local human and material resources. Thus, a judicious mix of local manpower with the local resource is necessary to bring about a viable development in these areas.

Rural Entrepreneurship in India

Rural Entrepreneurship can be 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”. The entrepreneurs with their ability to scan, analyze and identify opportunities in the environment transform them into business proposition through creation of economic entities. They by channelizing the resources from less productive to more productive use create wealth. Through efficient and effective utilization of national resources, they act as catalysts for economic development and agents of social transformation and change. According to Joseph Schumpeter, the rate of economic progress of a nation depends upon its rate of innovation which in turn depends on rate of increase in the entrepreneurial talent in the population. Rural market understand People in rural India are spending more than those in urban areas, according to a study by Accenture, a multinational management consulting, technology services and oil company. Rural markets are becoming attractive for a number of reasons. Since 2000, per capita Gross Domestic Product has grown faster in India’s rural areas than in its urban centres: 6.2 per cent CAGR (compounded annual growth rate) versus 4.7 per cent. Rural incomes are growing, and consumers are buying discretionary goods and lifestyle products, including mobile phones, television sets and two-wheelers. Between 2009 and 2012, spending in rural India reached \$69 billion, significantly higher than the \$55 billion spent by the urban population. The rush to rural markets is not a recent phenomenon and companies have been testing these markets for some time.

Opportunities in Indian Rural market

More than 750 million people and estimated annual size of the rural market. Problems of Rural Entrepreneurship in India Entrepreneurs are playing very important role in the development of economy. They face various problems in day to day work. 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 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. 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.

Investment – wise classification of Rural Industries (MSME)

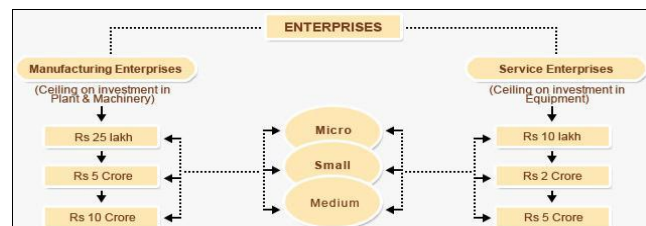


Fig 1:

Recent Developments

The Budget 2014-15 has announced a number of proposals for the development and promotion of the MSME sector. The budget has also announced review of definition of MSME to provide for higher capital ceiling. Accordingly, the definition of MSME.

Table 1: Capital limits in plant and machinery to the following levels

Manufacturing	Present	Proposed
Micro	Rs.25 lakh	Rs.50 lakh
Small	Rs.05 crore	Rs.10 Crore
Medium	Rs.10 crore	Rs.30 Crore
Services		
Micro	Rs.10 lakh	Rs.20 lakh
Small	Rs.02 crore	Rs.05 Crore
Medium	Rs.05 crore	Rs.15 Crore

Source: The draft Micro Small & Medium Enterprises Development (Amendment) Bill, 2014

Government Schemes for Rural Entrepreneurship in India:

- Entrepreneurship Development Institute of India (EDII): 1983
- Rajiv Gandhi Udyami Mitra Yojana (RGUMY): 2008
- Performance and Credit Rating Scheme (Implemented through NSIC): 2002
- Product Development, Design Intervention and Packaging (PRODIP): 2002
- Khadi Karigar Janashree Bima Yojana for Khadi Artisans (KKJBY): 2005
- Marketing Assistance Scheme (MAS): 2001
- Provision of Urban Amenities to Rural Areas (PURA): 2012

Table 2: Performance of MSME, employment and Investments

S. No.	Year	Total Working Enterprises (In lakh)	Employment (In lakh)	Market Value of Fixed Assets (Rs. In Crore)
1.	2006-07	361.76	805.23	868,543.79
2.	2007-08*	377.36	842.00	920,459.84
3.	2008-09*	393.70	880.84	977,114.72
4.	2009-10*	410.80	921.79	1,038,546.08
5.	2010-11*	428.73	965.15	1,105,934.09
6.	2011-12*	447.64	1,011.69	1,182,757.64
7.	2012-13*	447.54	1,061.40	1,268,763.67
8.	2013-14*	488.46	1,114.29	1,363,700.54

Source: GOI, Ministry of Micro, Small and Medium Enterprises.
*Projected.

Including activities of wholesale/retail trade, legal, education & social services, hotel & restaurants, transports and storage & warehousing (Except cold storage) for which data were extracted Economic Census 2005, Central Statistics Office, MOSPI. Estimated on the basis of per enterprises value obtained from sample survey of unregistered sector for activities wholesale/retail trade, legal, education & social services, hotel & restaurants, transports and storage & warehousing (except cold storage) which were excluded from Fourth All India Census of MSME, unregistered sector.

Performance of msme, employment and investments

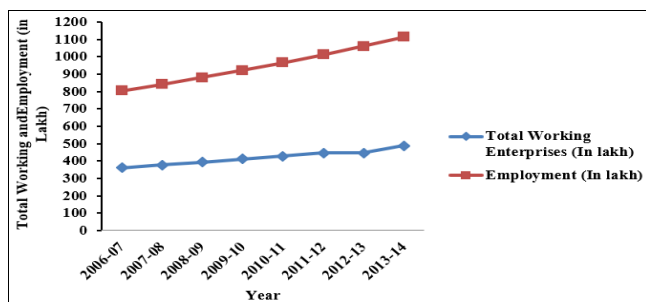


Fig 2

Policy Implications for Development of Rural Entrepreneurship The appropriate policy elements for development of rural enterprises are briefly stated as follows:

- Policies should be flexible to facilitate local circumstances.
- The nature of enterprises to be established in rural areas must be conducive to those areas in economic, social and environmental terms.
- Rural enterprise policy should cover all types of rural enterprise.
- There should be consistency and co-ordination with respect to the choice of rural enterprise locations.

Petrin (1994) advocates the following features for rural entrepreneurship development:

1. Sound national economic policy for agriculture, including recognition of the important contribution of entrepreneurship to rural economic development.
2. Policies and special programmes for development and channeling of entrepreneurial talent.
3. Entrepreneurial thinking about rural development by everyone.

Organization for Economic Co-operation and Development (OECD, 1999) advocates best practices in four broad areas related to SMEs that are suitable for both agro industries and other rural enterprises. They are:

1. Efficient and unbiased financial markets.
2. Appropriate business environment.
3. Education, training and capability to compete.
4. Access to information, networking and the global market place.

Future of Rural Entrepreneurship in India

India has been steadily growing as an economic power in the past two decades and has been able to create the bare necessary infrastructure required to sustain this rate of growth. The connectivity to remote areas has been improved to a great extent both in terms of physical accessibility by road and rail and virtual accessibility in terms of telecommunications and information technology. Combined with this there is a steady growth in the education among the rural population including professional qualifications among rural youth. This presents the ideal situation for enterprises to spring in the rural areas where the cost of operation, labor and availability of raw materials is substantially cheaper as compared to urban parts of the country.

Suggestions

Labour Intensive Techniques: As there is disguised unemployment in our agriculture sector, labour intensive techniques should be adopted in rural industrial units.

Educate the Rural Entrepreneurs: Government and NGOs offered various schemes and opportunity to the rural entrepreneurs. But, they are unaware of these schemes and opportunities due to their illiteracy. So they should be educated by the conducting workshops and seminars related to their business.

Offer finance with low rate of interest: Financial institutions like ICICI, SIDBI, IDBI, IFCI, and SFC should provide finance to rural entrepreneurs with low rate of interest and limited collateral security with liberal terms and conditions.

Government Role: Government should take steps to provide infrastructure, warehousing facilities, offer assistance to marketing and to export the goods of rural entrepreneurs to foreign countries.

Exploitation of Village resources: For example, where ever there is scope for wind and solar energy, can be fully exploited for rural electrification.

Ancillary units: Several ancillary units should be established in rural areas which will lead to better productivity of many engineering industries.

Micro credit schemes: Provisions should be made for micro credit system like SHGs to the rural entrepreneurs who will boost up the economic development and employment generation of the rural poor.

Past experiences and other observations should be considered to develop rural entrepreneurship.

Market information of different products and **innovative technology** should be publicly announced by the government in order to get its acceptance among the rural entrepreneurs.

Infrastructure facilities like land, power, raw materials and finance should be provided to the rural entrepreneurs at concessional rates.

Credit Information of the rural entrepreneurs has to be developed so as to enable them to get sufficient amount of loan from the banks at reasonable rate of interest.

SWOT Analysis: Strengths, Weaknesses, Opportunities, and Threats of small businessmen have to be identified and properly trained to motivate them to become entrepreneurs.

Innovators club should be established in villages to support the large mass of youth who are interested in taking business as a career.

Marketing management skills should be improved among the rural entrepreneurs to face the problems of entrepreneurship.

Management training is to be imparted to create awareness of innovative spirit among the rural entrepreneurs.

Awards should be given to those entrepreneurs who demonstrate extraordinary success.

Entrepreneurship development cell should be established at all the villages level to provide guidance and counseling to motivate the rural entrepreneurs regarding the use of modern technology.

Separate financial fund for rural entrepreneurs should be provided by the Government. At the same time they should be provided with adequate and timely financial assistance from all the financial institutions and banks.

Special training programmes for rural entrepreneurs in particular and in general for rural population should be arranged by the Government to improve their knowledge and vocational skills.

Rural youth need to be motivated to take up entrepreneurship as a career, with training and sustaining support systems providing all necessary assistance.

Finance for Modernization: Sufficient finance must be given to modernize their outdated technology, tools and implements in order to enable them to compete with the large scale industries.

Rural entrepreneur should more competitive and efficient in the local & international market.

Successful rural entrepreneurs should show path for other rural entrepreneurs.

Several schemes and plans of government should be strongly executed at different levels for the encouragement of rural entrepreneurs.

Interest free consumption credit should be provided by the Government, Banks and other financial institutions to encourage buying the products produced by rural entrepreneurs.

Agriculture diversification by exploring the opportunities by farming completely a new range of grains, fruits or vegetables.

Establishing agro food processing units or related units like wine production, juice production and many others.

Results and Discussion

Present study and review of various literatures discuss the outcome of rural entrepreneurship in India. Many successful entrepreneurs are prospering in the cities who are hailing from rural areas. It is essential to have a balanced regional development of the country and to avoid the concentration of industry in one place. Rural areas must try for better utilization of human resources to improve the rural economy. Government has moral responsibility in designing, promoting, innovating rural entrepreneurial development programme for the up- liftment of the rural

economy on which the urban economy is build upon. Government should encourage the rural population and try to a bridge the gap between the extended and remote communities. But here, the government is not playing the role sincerely. Always, all the times government has only concentrate on the urban industrialization and urban economy development. This is the right time the governments are changing their policy, and come forward with the more beneficial policies, schemes and subsidies for development of rural entrepreneurship as well as economy. Although agriculture today still provides income to rural communities, rural development is increasingly liked to enterprise development. Since national economies are more and more globalize and competition is intensifying at an unprecedented pace, affecting not only industry but any economic activity including agriculture, it is not surprising that rural entrepreneurship is gaining in its importance as a force of economic change that must take place if many rural communities are to survive.

Conclusion

The Role of Entrepreneurship in Rural Development It helps in generating employment opportunities in the rural areas with low capital, raising the real income of the people, contributing to the development of agriculture by reducing disguised unemployment, reducing poverty, migration, economic disparity, unemployment. Government should go for appraisal of rural entrepreneurship development schemes and programmes in order to uplift rural areas. Rural entrepreneurship finds it difficult to take off is due to lack of capital accumulation, risk taking and innovation. The rural development programs should combine infrastructure development, education, health services, investment in agriculture and the promotion of rural non-farm activities in which women and rural population can engage themselves. Rural entrepreneurship is the way of converting developing country into developed nation. Promotion of rural entrepreneurship is extremely important in the context of producing gainful employment and reducing the widening disparities between the rural and urban. Rural entrepreneurs are certainly acted as a key figure in economic progress of India. They play a vital role in converting developing country into developed nation. In today's global market a country's economic policy environment must always be favourable for an organization to achieve efficiency.

Recommendations

The study recommends the adoption of The Role of Entrepreneurship in Rural Development: A Study in the Context of India. Rural entrepreneurship plays an important role for economic development in developing countries such as that of India. Rural entrepreneurship helps in developing the backward regions and thereby removing poverty. Government should go for appraisal of rural entrepreneurship development schemes and programmes in order to uplift rural areas and thereby increasing economic development.

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