



# The Significance Of Entrepreneurship In The Growth Of Rural Sectors In India

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## ABSTRACT

The term entrepreneur is derived from the French word, entrepreneur, which translates to "to undertake". Recently, Rural Entrepreneurship has been presenting a significant opportunity for individuals who relocate from rural or semi-urban regions to urban areas. The advancement of rural entrepreneurship is crucial, as approximately 70% of India's population resides in rural regions. Undoubtedly, the economic progress of our nation largely relies on the development of rural areas and the living standards of their rural population. The government has initiated various schemes to promote rural development, which are detailed in this paper. This paper aims to identify the challenges and issues faced by rural entrepreneurship. The data has been primarily gathered from secondary sources related to the subject.

**Keywords:** Entrepreneur, Rural Entrepreneurship, Rural area, Challenges, Opportunities.

## INTRODUCTION

"India resides in villages, and its authentic essence is found in rural regions" - Mahatma Gandhi. The Indian economy predominantly relies on agriculture. Approximately three-fourths of India's population lives in rural areas, with 75% of the labor force depending on agriculture and its related activities for their livelihoods. Farming serves as an exemplary model of entrepreneurship, encompassing labor, land, finance, technology, processes, risk, marketing, and various inputs. However, due to limited land availability, it cannot accommodate the entire labor force engaged in agriculture. Consequently, there is a pressing need to develop rural industries to address rural unemployment and the migration of youth to urban centers. The growth and advancement of the rural economy are essential prerequisites for the overall development of the nation. It is crucial to bridge the gap between rural and urban disparities. Enhancing the living standards of rural inhabitants is imperative. Rural entrepreneurship offers solutions to these challenges. In rural and tribal regions, entrepreneurship emerges significantly to tackle issues of poverty, unemployment, and the backwardness of the Indian economy. Rural entrepreneurship, synonymous with rural industrialization, is regarded as an effective strategy for expediting rural development. The Government of India has consistently placed increasing emphasis on and provided support for the promotion and expansion of rural entrepreneurship. Currently, rural entrepreneurship has developed into a vibrant concept. Generally, rural entrepreneurship is characterized as "entrepreneurship that arises at the village level, which can occur across various sectors such as industry, business, and agriculture, serving as a significant element for comprehensive economic growth. In contrast to previous times, the advancement of rural regions has become associated with entrepreneurship. In straightforward terms, "entrepreneurship" refers to the act of

being an entrepreneur, defined as "an individual who engages in innovations, financing, and business endeavors to convert innovations into economic products." We have observed instances of underemployment or unemployment in rural areas, resulting in substantial migration of the rural populace to urban centers. At this juncture, it is essential to establish conditions that reduce the migration from rural to urban areas. Indeed, the circumstances should be such that, upon witnessing these facilities and opportunities, individuals find it preferable to relocate from cities to rural regions voluntarily.

### **THE NECESSITY OF RURAL ENTREPRENEURSHIP**

- To promote rural development within the country, it is essential to improve rural entrepreneurship. This can be achieved through the following points:
- A significant portion of India's population resides in rural regions.
- Rural individuals are known for their labor-intensive nature.
- There exist considerable income disparities between rural and urban populations.
- It is important to enhance regional development.
- Recognition should be given to individuals engaged in traditional arts and handicrafts.
- Efforts should be made to alleviate poverty and curb the expansion of slum areas.
- Young people in rural regions should be encouraged.
- The literacy rate among the rural population should be increased.

### **REVIEW OF LITERATURE**

Piore and Sable (1984), in their publication "The Second Industrial Divide," presented a structural approach to small business development, which posits that economic growth is more effective when it occurs within a political context, thereby promoting small-scale efforts effectively.

Petrin (1994), in a subsequent article, concluded that the development of rural areas is now increasingly linked to entrepreneurship. It serves as a vehicle to enhance the quality of life for individuals, families, and communities, while also aiming to maintain a healthy economy and environment.

Vaessen and Keeble (1995) revealed that the external environment in more remote rural areas poses challenges for SMEs, which they must adapt to in order to grow and survive.

Gavian (2002), in their research, proposed that SMEs are traditionally viewed as well-positioned to respond to the increased demand by creating jobs.

Sherief (2005) sought to understand the factors influencing rural entrepreneurship and the environment conducive to its development. The study concluded that promoting entrepreneurship is crucial for accelerating economic development in rural areas.

Mehta (2011), in this research, demonstrated that numerous Indian companies, including multinational corporations, began developing business strategies to tap into the untapped rural market in India. This study will be beneficial for various organizations in formulating solutions and policies to support rural entrepreneurship in India, potentially establishing the Indian rural market as a significant force in the global economy.

According to Alsos (2011), in the field of horticulture, the implementation of new entrepreneurial activities is relatively straightforward, as farmers typically possess a variety of valuable resources at their disposal, such as land, buildings, equipment, labor, and networks. However, merely having access to quality resources does not guarantee success. Ultimately, it depends on the farmers' entrepreneurial skills to access, recognize the potential of, and effectively utilize the available resources.

Sharma, Swati, Vyas, and Divya (2011) illustrated that various social, economic, political, and environmental challenges in rural areas of developing countries like India create obstacles to employment, reduce agricultural production, and exacerbate food shortages. This has resulted in a significant impact on domestic production and livelihoods. To some extent, these issues can be addressed by fostering entrepreneurship in rural India.

### **objectives of study**

1. to comprehend the current state of rural entrepreneurship.
2. to examine the contributions of rural entrepreneurs to economic growth.
3. to identify the prospects arising from rural entrepreneurship.
4. to investigate the issues and obstacles encountered in rural entrepreneurship within india.
5. to propose potential solutions to address the challenges faced by rural entrepreneurs.

### **Methodology**

this research relies on secondary data; it constitutes a thorough examination of various reports, research articles, policy documents, and a comparative analysis of statistical information sourced from government websites. the data is gathered on the relevant subject primarily from both published and unpublished materials pertaining to the topic.

programs for revitalizing traditional industries and rural entrepreneurship

the government implements a range of programs aimed at supporting and enhancing rural industries. these initiatives focus on offering credit and financial aid, skill development training, technological advancements, quality improvements, infrastructure enhancement, and marketing support. below is a concise overview of several key government programs.

- the scheme for the fund for regeneration of traditional industries (sfurti) is a cluster-based initiative designed to organize traditional industries and artisans into competitive groups. it aims to ensure their long-term sustainability by providing support in areas such as improved equipment, training, capacity building, design, common facilities centers, and marketing assistance, among others. this scheme welcomes applications from non-government organizations (ngos), government institutions, and private sector entities with the necessary expertise to facilitate cluster development. in the fiscal year 2018-19, the government allocated a budget of rs. 86.03 crore for the implementation of this scheme.
- the prime minister's employment generation programme (pmegp) is a credit-linked subsidy initiative aimed at creating employment opportunities through the establishment of micro-enterprises. it provides assistance to traditional artisans and unemployed youth, thereby enhancing the earning capacity of artisans and reducing both unemployment levels and the migration of rural youth to urban areas. the khadi and village industries commission (kvic) serves as the nodal agency for the implementation of this scheme. for the fiscal year 2018-19, the government has spent rs. 2118.80 crore on this initiative.
- the scheme for promoting innovation, rural industry & entrepreneurship (aspire) aims to generate new employment opportunities to combat unemployment, stimulate grassroots economic development, foster a culture of entrepreneurship, and encourage innovation to enhance the competitiveness of the msme sector. this scheme involves the establishment of a network of technology centers to share best practices and develop human resources; scaling up the business accelerator program; and implementing incubation and commercialization of business ideas through technical and research institutes, including those focused on agro-based industries. the government has allocated rs. 219.34 crore for the implementation of this scheme during the fiscal year 2018-19

- The Credit Guarantee Scheme for Micro and Small Enterprises (CGTMSE) facilitates access to credit for Micro and Small Enterprises (MSMEs) by offering a collateral-free credit facility, which includes term loans and/or working capital, provided through banks and financial institutions to both new and existing MSMEs. This unique guarantee scheme has supported over 31 lakh beneficiaries over the past 18 years. As of 31st March 2019, a total of 3,505,612 proposals have been approved for guarantee coverage amounting to Rs. 182,790.06 crore.

- The Credit Linked Capital Subsidy Scheme (CLCSS) is designed to promote the technological advancement of Micro and Small Enterprises by offering a 15 percent capital subsidy, capped at a maximum of Rs. 15 lakhs. This initiative aims to enhance the plant and machinery of micro and small enterprises with cutting-edge technology, applicable to both expansions and new enterprises. Since the scheme's inception, 62,827 MSEs have benefited from a subsidy totaling Rs. 3,888.12 crore up to 31st March 2019.

In addition to the aforementioned schemes, the following programs are also available:

- The Scheme for Micro & Small Enterprises Cluster Development Programme (MSE-CDP).
- The Entrepreneurship and Skill Development Programme (ESDP).
- The Scheme for providing financial assistance to Khadi Institutions under the MPDA.
- Financial Support to MSMEs for ZED certification.
- The Market Promotion & Development Scheme (MPDA).
- The Coir Industry Technology Upgradation Scheme (CITUS).
- The Domestic Market Promotion Scheme (DMP).
- The National Manufacturing Competitiveness Programme (NMCP).
- Technology and Quality Upgradation Support for MSMEs.
- The Procurement and Marketing Support Scheme (P&MS).
- The Scheme of Information, Education and Communication.

### CHALLENGES FOR RURAL ENTREPRENEURSHIP

- Insufficient technical knowledge: High illiteracy rates in rural areas often result in individuals lacking vital technical skills.
- Emergence of mall culture: Globalization has led to the establishment of shopping centers by numerous companies, enabling consumers to conveniently acquire a wide range of products in a single location.
- Financial constraints: These issues are particularly pronounced in India, especially for entrepreneurs who need significant capital to start a new business, frequently without understanding how to obtain loans.
- Inadequate infrastructural facilities: Despite government efforts, the progress of rural areas remains slow due to insufficient and inadequate infrastructure.
- Policy-related challenges: Many individuals are not informed about changes in policies and legislative strategies, including matters concerning TRIMS and TRIPS.
- Licensing processes: Occasionally, individuals lack familiarity with licensing procedures, rendering it a challenging endeavor for those in rural settings.
- Power outages and inadequate support: Many villages in India continue to face unreliable power supply.
- Cultural and social barriers: The implementation of digital advancements has not been effectively realized in various rural regions of India due to ongoing social issues.
  - Family-related challenges: Convincing family members to participate in business ventures can be quite difficult. The main concern revolves around whether one will generate more income through their selected business or by maintaining the family business. Success is not assured in every instance.
- Social challenges: Family matters hold particular importance as it is essential to address social barriers. For example, you and your friend graduated at the same time. You decided to embark on an entrepreneurial journey, while your friend chose to take up a job. He now owns an apartment, a vehicle, and several other assets due to securing a bank loan, whereas you have nothing to demonstrate for your endeavors, resulting in a divide between the two of you.
- Technological challenges: The Indian education system is considerably behind the job market in general, and this gap is even more evident in the field of online entrepreneurship.



- Economic challenges: Entrepreneurs in India encounter a variety of economic obstacles. When beginning your entrepreneurial journey, you may not initially seek investment but rather focus on obtaining funding from small to medium enterprises. Many non-technical business individuals struggle to fully understand online business models, complicating the process of acquiring initial business funding.
- Policy challenges: Regulations frequently change with shifts in government.
- Difficulties in accessing raw materials.
- Challenges associated with the obsolescence of local technology.
- Exploitation of small and impoverished rural communities in various nations.

## PROSPECTS FOR ENTREPRENEURS IN RURAL AREAS

The focus is on nurturing local entrepreneurial talent and the subsequent development of indigenous businesses within the nation. This initiative creates employment opportunities and enhances the economic value of a region.

- Entrepreneurship acts as a catalyst for development in India, aiding in economic advancement.
- It grants unrestricted access to global markets.
- The initiative provides support and motivation to rural communities.
- The cost of starting a business is minimal.
- We can readily achieve a competitive advantage and access to workforce.
- The government is developing new policies to motivate rural citizens and offer them financial assistance.
- There is an increased capacity to take risks compared to others.
- Governments from various countries have removed certain limitations.
- It generates job opportunities for rural youth.
- The presence of raw materials in rural regions reduces transportation expenses.
- It encourages innovation and progress.
- It fosters healthy competition within the global community.
- It facilitates international commerce.
- It contributes to enhancements in social and cultural dimensions.

## SUGGESTIONS

The following are recommendations aimed at enhancing Rural Entrepreneurship:

- The government should encourage all private organizations and industry associations to play a significant role in the technological advancement and other pertinent areas of rural entrepreneurship.
- There must be effective coordination among various institutions, including MSME-DC, NABARD, SIDBI, NSIC, NIESBUD, KVIC, etc., to ensure the timely provision of various categories of relief.
- Dedicated cells need to be established to provide accessible and flexible financing to rural entrepreneurs, addressing their primary concern regarding financial arrangements.
- The support provision process should be streamlined, transparent, and efficient, taking into account the challenges faced by rural entrepreneurs.
- Rural entrepreneurs should receive sufficient encouragement and support for the establishment of marketing cooperatives, which help in securing fair prices for their products.
- Training programs ought to be more structured, considering the social and economic backgrounds of rural entrepreneurs.

## CONCLUSION

Rural entrepreneurship is crucial for the economic growth and development of a nation, especially in a country like India, where a large segment of the population lives in rural regions. It contributes to the progress of underdeveloped areas by generating employment opportunities, encouraging the migration of rural youth, boosting manufacturing production, enhancing infrastructure, and improving living standards, which in turn helps to reduce poverty. Despite the increase in entrepreneurial activities in rural areas over time, they still fall short compared to those in urban settings. Recent studies reveal that 51% of Micro, Small, and Medium Enterprises are owned by rural entrepreneurs, predominantly at the micro-enterprise level. Since independence, the government has implemented various policies and initiatives aimed at

supporting and promoting rural entrepreneurship; however, the expected results have not been fully achieved. It is vital to assess the rural entrepreneurship development schemes and programs established by the government to realize the intended impact in rural areas through entrepreneurship.

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