

RURAL ENTREPRENEURSHIP: CHALLENGES & WAY FORWARD

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The Make in India strategy adopted by the Prime Minister of India aims to facilitate investment, foster innovation, entrepreneurship, enhance skill development in the country. Rural entrepreneurs are those who establish industrial and business units in the rural areas. Entrepreneurship can play an important role in rural development. Agriculture continues to be the backbone of rural society. Seventy 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. Land being limited and unable to absorb the labour force in agriculture, there is a need to develop rural industries to solve rural unemployment and rural migration to cities.

In the era of globalisation, entrepreneurship development in the rural context is a challenge. According to 2011 Census, 68.84 per cent people 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. But, the rural entrepreneurs are suffering with various problems like fear of risk, lack of finance, illiteracy, and competition from the urban entrepreneurs. This article is an attempt to understand the problems and challenges of rural entrepreneurship in the context of rural development in India and possible suggestions are given to overcome the problems.

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 a lot of scope for rural entrepreneurship in SMEs (Small and Medium Enterprises) sector 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 labour 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 per cent of the GDP and making available more than 75 per cent of all labour 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 utilising the unexploited natural and human resources and tapping vast material existing in the countryside. The features of rural industrialisation 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.

Basic principles of entrepreneur applied to the rural development are:

- Optimum utilisation of local resources in an entrepreneurial venture by rural population - Better distribution of the farm produce results in rural prosperity.
- Entrepreneurial occupation rural population to reduce discrimination and providing alternative occupations as against the rural migration.
- To activate such system to provide manpower, money, material, machinery, management and market to the rural population.

Government Schemes for Rural Entrepreneurship in India:

- Entrepreneurship Development Institution Scheme
- *Rajiv Gandhi Udyami Mitra Yojana* (RGUMY)
- Performance and Credit Rating Scheme (Implemented through NSIC)
- *Khadi Karigar Janashree Bima Yojana* for Khadi Artisans
- Marketing Assistance Scheme
- Provision of Urban Amenities to Rural Areas (PURA)

Problems faced by the rural entrepreneurs:

Financial Problems:

a) **Lack of funds:** Finance is the backbone for any business. Most of the rural entrepreneurs fail to get external funds due to lack 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. They are mainly depending on parents and relatives or money lenders for finance. They are not aware of the entrepreneurial supporting financial institution like SIDCO (Small Industrial Development Corporation), SIDBI (Small Scale Industrial Development Bank of India), etc., These financial institutions are providing finance to entrepreneurs to startup new venture and also modernise the existing business but due to these institutions; rules and regulations it is not easy to avail the finance for the business.

b) **Risk bearing Capacity:** Generally, rural entrepreneurs have low risk bearing ability due to lack of financial resources and external support. They expect regular income and restrict themselves to invest in their business.

c) **Poor infrastructure facilities:** Due to lack of proper and adequate infrastructural facilities, the growth of rural entrepreneurs is not very healthy. Infrastructure facilities like transport (bus, train etc.), communication (telephone; fax, internet facilities etc.), power supply are very poor in the rural areas compare to the cities. They are very much useful for the entrepreneurs to successfully run their business.

Marketing Problems:

a) **Limited scale and scope of local market opportunities.**

b) **Lack of market information due to poor communication facility:** It makes difficult for rural entrepreneurs to understand market trends and policies followed by the government on industrialization.

c) **Competition:** Rural entrepreneurs are facing tough competition from the large scale organisations and urban entrepreneurs. Rural entrepreneurs cannot compete with the urban entrepreneurs due to lack of standardisation and branding and quality of the products. The rural producers are not collective in their approach for marketing their products because they are widely scattered and mostly uneducated.

d) **Middlemen:** Middlemen exploit rural entrepreneurs. The rural entrepreneurs are heavily dependent on middlemen for marketing of their products who pocket large amount of profit. Storage facilities and poor means of transport are other marketing problems in rural areas. In most of the villages, farmers store the produce in open space, in bags or earthen vessels etc. So these indigenous methods of storage are not capable of protecting the produce from dampness, weevils etc. The agricultural goods are not standardised and graded.

e) **Low quality products** Today, consumers are more sensitive regarding the quality of the products. Only some big firms follow the TQM (Total Quality Management) practices in their production. Rural entrepreneur may not produce quality products due to lack of standardized equipments and poor quality of raw materials.

Management Problems:

a) **Lack of IT knowledge and Technical Skills:**

Information technology is not very common in rural areas. Due to low level of technical knowledge and skills, their performance may not be better. Entrepreneurs rely on internal linkages that encourage the flow of goods, services, information and ideas. The intensity of family and personal relationships in rural communities can sometimes be helpful but they may also present obstacles to effective business relationships. Business deals may receive less than rigorous objectivity and intercommunity rivalries may reduce the scope for regional cooperation. Decision making process and lines of authority are mostly blurred by local politics in rural areas.

b) **Non availability of skilled labours:** Generally skilled personnel are willing to work in urban areas due to high salary and other amenities when compared to rural areas.

c) **Legal Formalities:** Rural entrepreneurs find it extremely difficult in complying with various legal formalities in obtaining licenses due to illiteracy and ignorance

d) **Procurement of Raw materials:** In rural areas raw materials of the business mainly depend on agriculture. If there are no rains, the business operations are affected. Thus, 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.

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.

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.

Successful rural entrepreneurs should show path for other 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.

Non-farm product business establishment by promoting local rural artisan work.

OPS (Opportunities, Problem identification & Solution) Approach: This approach helps an entrepreneur especially neo-rural entrepreneur to explore opportunities include the scanning of the environment to explore the possibilities to start the new venture or to support the already established business in more professional manner. Identifying the exact nature of the problem (External to the organisation or internal to the organisation? If problem of the business is related with government policy, it is external and if it is internal, it may be related with strategic issue or operational issue or related with functional issues to set up an industrial unit), after identification of the problem it is easier to utilise the opportunities available in the market to explore further.

Encouraging the skilled and professional people who have left the rural area to come back.

NRIs and wealthy people of their respective villages should establish/assist rural industries.

There should be efficient regulated market for the marketing of rural products.

Grading, standardisation should be promoted and promotional activities should be enhanced for the benefit of rural industries.

To help to develop flexible manufacturing networks of co-operatives, micro and other manufacturing businesses.

To develop and produce a particular product that none of the firms could manufacture alone i.e. there should be links between them in the manufacturing of that product.

Conclusion: Rural entrepreneurship plays a vital role in the economic development of India, particularly in the rural economy. 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. The 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 due to lack of capital accumulation, risk taking and innovation. The rural development programmes 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. Monitoring rural development programmes by supplying right information at the right time, providing timely and adequate credit and continuous motivation of bankers, *Panchayat*, union leaders and voluntary service organisations will lead to the development of rural entrepreneurship.

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