

# Opportunities and challenges for rural entrepreneurship in india economics essay



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An attempt has been made in this paper to discuss the key issues related to entrepreneurship and its opportunities and challenges in India. The analysis is then broadened to understand the determinants of rural entrepreneurship and the environment conducive to its development. Consequently, the policies that are necessary to make this environment favorable have been discussed in detail. The generic constraints that are faced by rural enterprises have been listed out. The paper also emphasizes the importance of rural enterprise development of developing the economy. The paper discusses entrepreneurship activities in rural India and identifies the challenges and provides some policy implications. The conclusion is that to accelerate economic development in rural areas, it is necessary to promote entrepreneurship. Entrepreneurial orientation in rural areas is based on stimulating local entrepreneurial talent and subsequent growth of indigenous companies in the country. This in turn would create jobs and add economic value to a region, and at the same time, it will keep scarce resources within the community.

## **Opportunities and Challenges for Rural Entrepreneurship in India**

### **Introduction**

Rural entrepreneurship is defined in broader sense “ as the enthusiastic willingness of a villager to organize his or her economic activity, whatever it may be (a business, a job, an investment etc) with the help of appropriate technology and practices conceived for a sustainable living.”

Rural entrepreneurship has an important role to play in the development of Indian economy. Taking into account the fact that nearly 70 percent of the

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Indian population calls rural India it's home, adequate funding and support can provide a thriving entrepreneur atmosphere in these communities . So far as it is known that rural India as compared to the mainstream population is economically poor, younger, more isolated geographically, isolated from the main markets, culturally imbedded in tradition, less dynamic economically and experiencing depopulation.

It is to be noticed that most of the entrepreneur development policies are tailored to meet the needs of the urban India. Such policies will have to be changed by establishing such centers which exclusively deal with the rural communities and provide consulting and research facilities. These centers can then provide a network between the isolated rural India and bridge the gap between these urban and rural communities. Most of the businesses in rural India are family owned thus providing a firm entrepreneurial base which can be exploited by the establishment of the rural entrepreneur centers. According to a recent study by the Rural Policy, rural areas who just need support to specify their thirst for the welfare of the public. These are the social entrepreneurs working in non-profit enterprises such as social justice organization, micro enterprises and business association.

The most over looked aspect of the rural India, that can be exploited, is the process of depopulation. Many of the young enthusiastic people turn towards the cities in order to fulfill their desire to become successful. Since, the rural India cannot provide the growth opportunity for these young entrepreneur to succeed, most of them end up in finding ordinary and management jobs.

Keeping in mind the resources that a responsible world country has and the kind of rural resources that countries like India boost, if the government can

provide an incentive for these young people to stay in their communities and help them in setting up entrepreneur projects from their own family owned businesses, such a program can bring about an unmatched success in rural communities.

## **Need for Rural Entrepreneurship**

After over six decades of independence and industrialization in our country, still large part of population remains under poverty line. Agriculture continues to be the backbone of rural society. As per this study, seventy percent of holdings are held by small and marginal farmers resulting in overcrowding on the agricultural land and diminishing farm produce. This also results in migration of farm worker in large numbers to the urban areas. In both the cases the population remains under poverty line. Agricultural work force has a share of seventy per cent in the total work force of the country. Cultivators who own farmland come to about sixty-eight percent of this work force while agricultural labor accounts for the remaining thirty two percent. These cultivators are increasing in numbers over the years but the large increase was among the agricultural labor, which went up from twenty percent of the rural work force to thirty two percent. One also needs to keep in mind that there is a continuous growth of population. Thus, the policy for rural entrepreneurship development has to tackle, the problems by providing other occupation option to the rural youths. “ Youths in the rural areas have little options”, this is what they are given to believe. This is the reason that many of them either work at farm or migrate to urban land. The need is to plant other option in the minds of rural youth. Entrepreneurship could be the best option. If planted and nurtured in the minds of rural women and youth,

It could result in revolutionizing the Indian economy. It should be emphasized that the projects undertaken by these entrepreneurs should not be constrained by their location in rural areas. They should enjoy all the advantages of the location. So what is remarkable about a villager simply organizing his or her economic activity? In this context, it is remarkable that the majority of this vital workforce, because it is unorganized, goes without social security, job training, market data, insurance, health care, easy access to credit, efficient processes for production, marketing, accounting etc... The list is endless. While the government and a large number of NGOs are trying to address the various needs of the unorganized sector, any contribution, however small it is, made by anyone is a breath of fresh air for the people in this sector. Diversification into non-agricultural uses of available resources such as catering for tourists, blacksmithing, carpentry, spinning, hand crafts and toys etc. As well as diversification into activities other than those solely related to agricultural usage, for example, the use of resources other than land such as water, woodlands, buildings, available skills and local features, all fit into rural entrepreneurship. The entrepreneurial combinations of these resources are, for example: tourism, sport and recreation facilities, professional and technical training, retailing and wholesaling, industrial application (engineering, crafts), servicing (consultancy), value added (products from meat, milk, wood etc,) and the possibility of off-farm work. Equally entrepreneurial are new uses of land that enable a reduction in the intensity of agricultural production, for example, organic production, dynamic rural entrepreneurs can also be found. They are expanding their activities and markets and they find new markets for their products and services beyond the local boundaries.

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## **Opportunities of Rural Entrepreneurship:**

**Support & Motivation to local people:** Rural entrepreneurs have a lot of support from the Rural people. Rural village people always encourage and give the motivation to the entrepreneurs.

**Low establishment cost :** When compared to the urban areas, rural entrepreneurs' business establishment cost is very low. There is no need to construct or facilities huge infrastructure and buildings.

**Competitive advantages / Availability of labour :** In India seventy percent of the people are living in the village. Majority of the rural people are depending on the agriculture. The agriculture work is not available throughout the year. That is the reason why rural entrepreneurs have the competitive advantage in easily acquiring unskilled and semiskilled labor.

**Government policies and subsidies:** The government of India is continuously monitoring and introducing the new policies for encouraging the rural entrepreneurship. These policies are very flexible, innovative, liberalized and giving continues support to rural entrepreneurs. At the same time government has also announced huge subsidies for promoting the rural entrepreneurship.

**Availability of raw materials.** Most of the times the rural entrepreneurs are depending upon the farm based products as raw materials, which are available through-out the year. These raw materials are available in the rural area that is the reason there is no transportation cost and flotation cost.

**Cost of production:** Rural entrepreneurs cost of production is very low when compared to the urban insdustries. The factors of production are available

with low cost, automatically the cost of production is also low. Because of this rural entrepreneurs can sell their goods and services with cheaper cost.

Optimum utilization of produces: Optimum utilization of farm produces is only possible through the rural entrepreneurship only. Most of the rural entrepreneurs depend upon the farm produces as raw materials.

Employment generation for rural youth: Rural entrepreneurs are providing hundred percent jobs for rural youth. If the rural entrepreneurs are succeeding in this activity the migration of the people to urban from rural will be immediately stopped to a maximum extent.

Promotion cost: There is no promotion cost for rural entrepreneurs; in fact the competition is very less. Particularly there is no need for advertising and other promotional activities for their products.

Potential customer: In this twenty-first century rural villagers are economically strong and also heavily populated. This heavy population can be converted as potential customers. That is the reason all the MNC's are concentrated in rural villages for their potentiality.

Building the goodwill: Rural entrepreneurs have a lot of scope building the goodwill. Most of the rural entrepreneurs have ethical values and also these people do not work for pure profits.

## **Challengers of Rural Entrepreneurship**

Rural entrepreneurship has its own drawbacks. Policies such as keeping of land in protection when there is already an over production and pricing income are two of the greatest threads to rural entrepreneurship. Due to the

remote access and unavailability of knowledgeable labor, commercial markets and managerial staff are hindered due to the remote locations.

In order to alleviate the problems of rural entrepreneurship, under the government supported resources for these projects and select only the very best ideas that directly benefit not only the community but also can compete on a global scale. It is also vital for the success of the rural communities that the development of each rural project remain in the hand of the local agencies which in return cooperate with the government to oversee the leading factor that can help develop the rural areas.

Distribution and logistics : Infrastructure contains to be a challenge in rural India. Moreover, the lack of an efficient distribution network prevents penetration of products/services into rural India.

Payment collection: The majority of the rural population is still unbanked. Clearly , non-cash collection becomes rather unlikely. Cash collection , on the other hand, are messy and difficult to monitor.

Pricing: it is easier to collect in larger amounts as every instance of collection and carrying of cash has associated cost. Disposable income, through , isn't always high since the bulk of rural India is agriculture and income cycle in agricultural are very erratic and not as predictable as in the case of us salaried individuals.

Scaling across geographies : India is a land of many cultures and tradition , the contrast become that much starker in the case of rural India. Setting up operation on a pan-India level present different types of hurdles in different states ranging from political juggling to downright local factors. Any model



where scalability involves scaling on-ground operations is bound to run into myriad issues as we move from one state to the next. Add to that the greater differences in consumer tastes and behavior across geographies then in the relatively more cosmopolitan urban population.

Developing inorganic scale : Developing synthetic scale through partnerships typically results in larger overheads in the rural context. Finding the right partner with reach and presence in villages is difficult to start with. More importantly , there are very few players who are strong on these counts across multiple typically requires partnerships resulting in higher partner management overheads.

Social and cultural challenges: The cyber café model has not worked in many parts of rural India due to socio-cultural issues. One of the reasons for the failure of the kiosk model in Kuppam (HP's i-community) was the lack of usage by women which was largely due to their discomfort in going to kiosks run by men.

Growth of Mall culture: Because of the globalization and modern economy encouraging the mall culture rather than the traditional shops. Another side rural Indian people income is also increased, because of that these people also attracted to mall culture.

Poor Assistance & Power failure : These two are the major challenges faced by the rural people . India is not a developed country, it is still developing country . Moreover India, don't have a sufficient power and electricity infrastructure facilities to satisfy the needs of their people. For filling the gap

between the demand and unavailability the government of India have been committed to power cut to rural areas.

Lack of technical know How: Rural Indian people they don't have strong technical educational knowledge. That is the reason these people don't know how to use latest technology. Still majority of the rural entrepreneurs traditional and old technology.

Infrastructure sickness: The rural India still suffering with lack infrastructure facilities. But the same time government also not concentrates for creating the rural infrastructure. This is the pathetic situation of rural India.

Poor self- image of rural youth & inadequate motivation : Strong motivation is the mahamantra for success of any activity. Particularly the rural youth are suffering with poor self-image. This is killing the talents of the rural youth.

Cultural values: We can observe one thing here; in comparing to the urban people the rural people have been committed to strong cultural values. In this globalized world the most traditional people are also slowly adopting the foreign cultures and traditions. In fact the rural people don't find it easy to change the cultural values.

## **Role of government in Development Of Rural Entrepreneurship:**

The difference between rural and entrepreneur is only a matter of degree rather than the content. 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.

## **Need for showing the government in the minds of Rural Youth**

Following are the expectation of rural youth from the government:

Tax holidays and other tax advantages given to rural entrepreneurs.

Changing the labor laws.

Improve the rural infrastructure (Announce the special packages).

Conducting the entrepreneurship education programmes.

Develop the rural entrepreneurs network.

Support and motivation from local authorities.

Exemption from the export duties.

Special welfare programs for rural labor.

## **Conclusion**

Although agriculture today still provides income to rural communities, rural development is increasingly linked to enterprise development. Since national economies are more and more globalized 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. However, entrepreneurship demands an enabling environment in order to flourish. It is quite clear that rural entrepreneurship cannot be developed without significant training. Therefore, instead of just schemes (financial and development) as the correct for entrepreneurship development an intensive training needs to be provided to the youth in rural India. What's required is to create a devoted team to take up rural entrepreneurship training as per integrated rural development program. To manage agricultural sector and non-enclave projects in rural areas, rural entrepreneurs need to apply entirely different management and administrative concepts. Otherwise we shall be only creating islands of apparent prosperity in the ocean of rural poverty. Rural entrepreneurship is the answer to removal of rural poverty in India. Therefore, there should be more stress on integrated rural development.