

RURAL ENTREPRENEURSHIP IN INDIA

(A Conceptual Framework)

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ABSTRACT

India is the 2nd most populous country in the world and has 70% of its population in villages. Though the world is advancing towards urbanization, the resources are not increasing uniformly. The economic gap between the urban and rural sectors is increasing exponentially. Success of new economic trends such as microfinance and increasing number of companies in the rural sectors suggest that there exists a large untapped market at the bottom of the economic pyramid. In the current scenario, rural markets and self help groups have gained never before significance. Many institutes both profit and non-profit are focusing on rural entrepreneurship. Firstly, it can produce self- employment opportunities to the millions and thus reduce the unemployment. Secondly, it can augment employment avenues for other in backward areas and bring in balanced regional development to alleviate poverty. The present study described the conceptual framework of rural entrepreneurship, which covered mainly its importance in the Indian economy and also described about the various financial institutions which helps rural entrepreneur in establishment and promotion of a small industry.

Keywords: *Micro:- Finance, Entrepreneur, Rural India, Financial Institutions, Khadi and Village industries (KVI), Small Scale Industries, Rural Financial Institutions, Self-Help Groups (SHGs).*

I. THE CONCEPT OF ENTREPRENEURSHIP

Economic development of a country depends to a more or less extent upon the availability of enthusiastic entrepreneurs. Entrepreneurship has long been recognised as an essential ingredient of economic development. To quote, “Entrepreneurs are persons who initiate, organise, manage and control the affairs of business units that combine the factors of production of supply goods and services, whether the business pertains to agriculture, industry trade or profession”. In fact an entrepreneur bears different types of

uninsurable risks and ensures the strengthening of the economic activity. The entrepreneur is the premier agent of production who does not only bring together the factors of production, but also provides sound management and proper control over the unit.

According to Joseph A. Schumpeter, "the entrepreneurship is essentially a creative activity or it is an innovative function. The process of innovation may be in the form of:

- a) Introduction of a new product,
- b) Use of a new method of production,
- c) Opening of a new market,
- d) The conquest of a new source of supplying raw material, or
- e) A new form of organization.

By adopting innovative methods optimum utilization of productivity of capital becomes possible".

II. REVIEW OF LITERATURE

Kanitkar, A. (1994) in the study entitled, " Entrepreneurs and Micro-Enterprises in Rural India", has made an attempt to understand the emergence and sustainance of the successful entrepreneurs and owners of micro- enterprises in rural India. The study was based on the case studies of 86 village- based entrepreneurs drawn from different regions of India by the students of post-graduate diploma programme in rural management of the Institute of Rural Management during their fieldwork period. Data was collected using a semi-structured questionnaire followed by an open-ended interview with the entrepreneurs in his/her village during November 1992. The study examined the socio-economic profile of the entrepreneurs, their motivation for shifting from an agriculture- based occupation to a non- farm activity, their approach to raising resources for their enterprises and the factors that facilitated entry of the village-based entrepreneurs into a business activity. The study observed that almost all the units were facing a stage of saturation arising out of entry of new entrants and increasing competitions. The study indicated that the entrepreneurs operating in rural India has the self-made characteristics and they ventured into small business without

proper education and training. The study has suggested that the Government should sustain these numerous enterprises through appropriate policies.

Siddiqui, S. (2003) in the study entitled, "Rural Entrepreneurship and Poverty Alleviation Programmes" identified various factors causing migration of rural population in recent years. The study highlighted the potential rise in rural entrepreneurship and studied various poverty alleviation programmes creating self employment among rural people. The study identified that there were two main factors i.e. poverty and downward trend in crop production that forced rural population to migrate. the study found that there has been a significant rise in rural entrepreneurship because of rise in rural literacy rates and increase in grant for rural development. The study has suggested that development plans should be made on the basis of vocational pattern and requirement of a particular segment of rural area and one plan should not be imposed on all segments.

Kolawole, O. D. and Torimiro, D.O. (2005) in the study entitled, "Participatory Rural Entrepreneurship Development for Grassroots Transformation: A Factor Analysis" identified crucial factors influencing Participatory Rural Entrepreneurship Development and Employment Promotion (PREDEP) amongst grassroots people in Lagos State, Nigeria. The study was conducted in eight rural communities of Lagos state, using a multi- stage sampling procedure. The study has collected primary data by interviewing 320 respondents. The study has used descriptive statistics to summarize and describe the data. The study showed that most respondents were farmers and 50 percent were civil servants, indicating that the majority of the respondent had between 1 and 2 jobs/business. The study found that 46 percent rural entrepreneurs never employed more than 2 workers. The study has suggested that government needs to encourage the re-organization and mobilization of rural associates.

Rena, R. (2009) in the study entitled, "Rural Entrepreneurship and Development - An Eritrean Perspective" discussed the key issues related to entrepreneurship and its relationship with rural development. The study was based on secondary information and focused on the entrepreneurship activities in rural Eritrea. The study analyzed determinants of rural entrepreneurship and the environment conducive to its development. The study also discussed the policies that have necessary to make this environment favourable. The study has concluded that to accelerate economic development in rural areas, it has necessary to promote entrepreneurship.

Rajkonwar, A.B. and Baruah, S. (2010) in the study entitled, "Socio-Economic Profile of Rural Entrepreneurs- A Case Study of Jorhat District in Assam" identified the socio- economic factors of the entrepreneurs affecting the economic growth of Jorhat district. The study was based on primary data. For this 100 rural entrepreneurs were selected randomly from 8 development blocks. The time period of the study was 1998 to 2003. The study analyzed that the socio- economic factors influenced a person in making a successful entrepreneurs. The study concluded that the process of entrepreneur. The study concluded that the process of entrepreneurs formation in rural areas has not restricts to any particular gender group, caste group or sex group. Both men and women entrepreneurs of different ages and castes were found during the survey. The study has suggested that a more stimulating environment must be created for the speedier dispersal of entrepreneurship even among the remotest corners of the society.

Need and Growth of Entrepreneurship Development

One who owns and runs an enterprise by risking his own career is termed as entrepreneur. In the early 1960's entrepreneurship was a topic of academic philosophical discussion but later on there were significant contributions were made in the field of entrepreneurship, these were:

- a. There should be a positive link between the entrepreneurship and economical prosperity.
- b. Need of strong determination to develop entrepreneurship through planned efforts.

The former leads to increase the entrepreneurship development for achieving economic prosperity, and the latter gives opportunity for experimentation with various tactics for developing entrepreneurship.

Entrepreneurship emerged as potential solution to many other emerging problems such as unemployment, accumulation of wealth in few selected hands, imbalanced regional development, non- investment of profit for the welfare of the area of profit generation, and finally the increasing wastage of youth vigour on destructive acts in the absence of opportunities for creating involvement.

Importance of Rural Industrialization

Modern small scale enterprises have been incorporated in rural industries. These enterprises benefit the rural industries. Modern small industries implies a small industry which caters to the needs of the emerging modern economy, is progressive in outlook and adaptable to changing conditions in its production process and applies reasonable up to date ideas of organization and management in its business operation. Most important, they strengthen it with external economics introducing large scale organization in supply of raw materials, working capital and market. The integration of industry into the rural way of life substantially

lowered both the transport and social costs of industrialization. The advantage of rural industries can be summarized as under:

- Rural industries can produce the best type of products where skilled labour of specific nature is required. Products requiring special attention to the taste and the fashion of individual customer like ornamental goods, traditional crafts, can be best produced by rural units.
- Products like specialized components of large industries can be manufactured at a less cost in small units in rural areas by means of subcontract system. As per the need of the hour, small enterprises and cottage industries can very well shift their production to support large machinery firms and large scale sector to meet their order. Thus, they can become ancillary units.
- The rural industries can take advantage of local resources, location advantage using local raw material, local skills and local experience and catering to the local demand thereby avoiding transaction cost.
- Small and cottage industries can be started with low overhead costs. This is not possible in case of large industries.
- Small and rural industries can sustain for a long period of time due to cordial personal relationship between employer and employee.
- Small scale enterprises in rural areas meet a substantial part of increased demand for consumer goods including mass consumption items.
- Small scale and rural enterprises assist in dispersal and avoid problems which unplanned urbanization tends to develop.
- Rural enterprises create jobs in the rural areas of the developing countries where unemployment is rampant. This will also help in reducing the migration of workers from rural to urban sector.
- Rural industries help in integrating rural economy on one hand and large scale industries on the other.
- The marketing of rural industries products can be easily done once the customers are mostly local.
- Rural industrial enterprises are training grounds for local entrepreneurs on decision making and excellence in production. They help the growth of economy by nurturing entrepreneurial and managerial talents.

III. CONCLUSION

Rural development is more than ever before linked to entrepreneurship. Institutions and individuals promoting rural development now see entrepreneurship as a strategic development process. Furthermore, institutions and individuals seem to agree on the urgent need to promote rural enterprises development; agencies see rural entrepreneurship as an enormous employment potential; politicians see it as the key strategy to prevent rural unrest; farmers see it as an instrument for improving farm earning; and women see it as an employment possibility near their homes which provides autonomy, independence and a reduced need for social support. To all these groups, however, entrepreneurship stands as a vehicle to improve the quality of life for individuals, families and communities and to sustain a healthy economy and environment.

IV. BIBLIOGRAPHY

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