

# A Study on Problems and Challenges of Rural Entrepreneurs in India

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### Abstract

*India is a nation of village Rural entrepreneurship is given good contribution and major opportunity and to develop for the people with necessarily migrate from rural areas or semi-urban areas to urban areas. It is also a fact on the contrary that the majority of rural entrepreneurs are facing many problems due to non availability of primary amenities in rural areas especially in developing countries like India. Financial problems, Lack of education, insufficient technical and conceptual ability at present it is too difficult for the rural entrepreneurs to establish industries in rural areas. Certainly the economic development of our country largely depends on the development of rural areas and also the standard of living in its rural mass. For the economic development of a country and of regions within the country rural entrepreneur is surely one of the most important inputs.*

**Keywords:** Rural Entrepreneurs, Economic Development, Conceptual Ability

### Introduction

**What is Rural Entrepreneurship?** In simple terms "entrepreneurship" is the act of being an entrepreneur, which can be defined as "one who undertakes innovations, finance and business acumen in an effort to transform innovations into economic goods". The problem is essentially lop sided development which is a development of one area at the cost of development of some other place, with concomitant associated problems of underdevelopment. For instance, we have seen underemployment or unemployment in the villages that has led to major influx of rural population to the cities. At present what is needed is to create a situation wherein the migration from rural areas to urban areas

**Rural Entrepreneurship in India:** Who should necessarily be capable of making use of the government schemes and policies for the betterment of rural people? Some individuals who happen to be NGO's and local leaders and also who are committed to the cause of the rural people have certainly been the catalytic agents for development. Though their efforts need to be recognized and lauded,

yet much more needs to be done to reverse the direction of movement of people i.e., to attract people to rural areas which means not only stopping the outflow of rural people but also attracting them back from towns and cities where they had migrated. This can be made possible only when young people consider rural areas as places of opportunities. Despite all the inadequacies and in competencies in rural areas one should assess their strengths and also build upon them to make rural areas places of opportunities. This is much more to do with the way one sees the reality of the rural areas. The way a job seeker or survivor would see things would certainly be different from those who would like to do something worthwhile and are also ready to go through a difficult path to achieve their destined goals. It isn't that there is a dearth of people with such a mindset. But due to various complications they change their minds and join the bandwagon of job seekers. Enabling the public to think positively, creatively and engaging them purposefully in entrepreneurship activities is most important for the development of rural areas. Young people with such perspective and also with the help of rightly channelized efforts would certainly usher in an era of rural entrepreneurship.

**Rural Entrepreneurship in Changing Environment:** The changing global environment raises many questions about the ability of traditional, small scale businesses in rural areas to share the potential benefits which is offered by the changing environment. The rapid (though declining) population growth which is coupled with even faster urbanization, creates increasing demands. In India semi urban and urban populations in general grow about twice as fast as the overall total population and by 2020 they may exceed the size of rural populations. Such a major demographic trend challenges the capacities of some traditional small scale businesses to cope up with the increasing demands and supply.

### **Rural Entrepreneurship and Development of Villages**

Rural entrepreneurship certainly implies entrepreneurship emerging in rural areas. In other words establishing the industry in rural areas is referred to as rural entrepreneurship. This means that rural entrepreneurship is synonymous with rural industrialization. Many such examples of successful rural entrepreneurship can already be found in literature. Diversification into non-agricultural uses of available resources such as blacksmithing, catering for tourists, carpentry, spinning etc as well as diversification into activities other than those solely related to agricultural usage like use of resources other than land such as water, woodlands, buildings, local features and available skills 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 applications (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 resources that which enable a reduction in the intensity of agricultural production, for example, organic production. Some of the major opportunities in rural entrepreneurship are: A. Better distribution of farm produce which results in rural prosperity B. Entrepreneurial occupation for rural youth resulting in reduction of disguised employment opportunities and alternative occupations for rural youth C. For optimum and maximum utilization of farm produce formation of big co-operatives like Amul D. Optimum utilization of local resource in entrepreneurial venture by rural youth.

### **Literature Reviews**

Sukamal De (April-June, 2012) This study is carried on Rural Entrepreneurship, a perspective with special reference to Arunachal Pradesh an Empirical Study By we can say that "entrepreneurship" has proven to be an exceptionally fertile concept within economic theory. Indeed, this term has played such a valuable role within economics that each era has adapted it to meet the innovations and spirit

of the times. Though consensus on a precise definition of entrepreneurship may be impossible, what cannot be denied is the economic power of entrepreneurship and its way of inspiring creative individuals to pursue opportunities and take risks. It is necessary to extend the facilities to the rural areas to promote agrobased and locally available raw material based industries in the locality and ensure markets for their products. Therefore, the authority should conduct research surveys to guide the prospective entrepreneurs. The VI holds much prospect and affords good opportunities for the rural entrepreneurship to flourish in the State. For intrinsic reasons it is difficult to set up Large Scale Industry but on the contrary, there is much opportunity to set up Village Industries.

Jayadatta S(2017): He highlighted in recent days rural entrepreneurs have suffered lot of problems in own business and recently with the effect from the pandemic problems also with majorly effects from the business.

Edwards (1998) He analysed that in the trade and other factors concludes that greater openness accelerates economic growth and that large departures from free trade dampen it. Michael et al (1991) in his findings based on the evidence suggests that liberalizing countries outperform those who failed liberalization attempts. In contrast, Helleiner (1986) has suggested that a certain level of national development is very much necessary before the objective of export-led growth can be realized. Series of deliberations and emergence of the WTO under the Uruguay round have changed the world economic order.

### **Objectives**

1. To suggest some remedial measures to solve the problems faced by rural entrepreneurs
2. To analyze the effect of globalization on rural entrepreneurship
3. To study the major challenges faced by rural entrepreneurship in India
4. To analyze some of the major management problems for rural entrepreneurs
5. To suggest some of the major remedies to solve problems in rural entrepreneurship

### **Need for the Study**

In most developing countries including India, Rural entrepreneurship has helped domestic people in India. The situation is even worse in rural areas where both the living standards and the quality of standard of living. Business risks pose the greatest threat to their lives and livelihoods. Even a minor Business shock can cause a major impact on poor persons' ability to work and curtail their earning capacity. Moreover, there is a strong link between Business and income at low income levels. The rural entrepreneurship usually affects the all kinds of people in India.

### **Research Methodology**

#### **Data Sources**

**Secondary Data:** The present study also gathers data from secondary sources. The data would be collected from various reports Mainly Jayadatta paper and Annual reports of various states, Newspapers, Journals, Magazines, thesis, dissertation reports, Books, etc. Furthermore, the required secondary data would also be gathered from net sources.

### **Analysis of the Study**

Role of rural entrepreneurs in economic development The entrepreneurs with their ability to scan, identify and analyze opportunities in the environment transform them into business proposition through creation of major economic entities there by channelizing the resources from less productive to more productive use create wealth. Through effective and efficient utilization of natural and national resources, they act as catalysts for economic development and also agents

of social change and transformation. According to Joseph Schumpeter, the rate of progress of any nation depends upon its rate of innovation which in turn also depends on the rate of increase in the entrepreneurial talent in the population. According to Meir and Baldwin, development does not occur spontaneously as a natural consequence when economic conditions and consequences in some sense are right. A catalyst is certainly needed which results in entrepreneurial activity to a much considerable extent. The diversity of activities that which characterizes rich countries can be attributed to the supply of entrepreneurs. They play a vital role for the economic development of a country in the following ways: 1. Formation of capital: Entrepreneurs as such by placing profitable business proposition do attract investment to ensure private participation in the industrialization process. The otherwise idle savings are also channelized for investment in business ventures in turn provides return. Again the savings are invested giving a multiplier effect to the process of capital formation. 2. General Job creators and job providers and not the job seekers: With the globalization process the government jobs are shrinking thus leaving many unemployed. In these circumstances, the entrepreneurs and their enterprises are the only source and hope of direct and indirect employment generation. Employment is generated directly by the requirement of the large enterprises and also indirectly by ancilliariation and consequential developmental activities. 3. Balanced regional development: Entrepreneurs always look for opportunities in the working environment. They capitalize on the opportunities of governmental concessions, facilities and subsidies to set up their enterprises in undeveloped areas. Classic example is setting up of steel plant at Tata Nagar, Reliance Petrochemicals at Jamnagar (Gujarat) which have resulted in the development of Good Township and peripheral regional development. Thus entrepreneurs reduce disparities and imbalances in development among regions where they operate. 4. Improvement in the standard of living: Entrepreneurial initiatives taken by entrepreneurs through employment generation leads to increase in income and also purchasing power which is spent on consumption expenditure. Certainly increased demand for goods and services boost up industrial activity. Large scale production with technological advancements will result in economies of scale and low cost of production. Modern concept of marketing involves creating demand and then filling it.

Problems in Rural Entrepreneurship. Entrepreneurs certainly play very important role in the development of economy thus contributing to overall Gross Domestic Product of the nation. They face various problems in day to day life and work. As thorns are part of roses, in the same way flourishing business has its own kind of problems. Some of the major problems faced by rural entrepreneurs are as under:

**Financial Problems:** Some of the major financial problems faced by rural entrepreneurs as follows: a. Paucity of funds: Due to absence of tangible security and credit in the market most of the rural entrepreneurs fail to get external funds. Also the procedure to avail the loan facility from the banks is too time consuming that its delay often disappoints the rural entrepreneurs. Lack of finance available to rural entrepreneurs is by far one of the biggest problems faced by rural entrepreneurs nowadays especially due to global recession. Some of the major difficulties faced by rural entrepreneurs include low level of purchasing power of rural consumer so sales volume is insufficient.

**Lack of Infrastructural Facilities:** In spite of efforts made by government the growth of rural entrepreneurs is not very healthy due to lack of proper and adequate infrastructural facilities.

**Rise Element:** Rural Entrepreneurs have very less risk bearing capacity due to lack of financial resources and external support.

**Marketing Problems:** Some of the major marketing problems faced by rural entrepreneurs are as follows: a. Competition: Rural entrepreneurs face stiff and severe competition from large sized organizations and urban entrepreneurs. They incur high cost of production due to high input cost.

Problem of standardization and competition from large scale units are some of the major problems faced by marketers. They face the problem in fixing the standards and then sticking to them. For the survival of new ventures competition from large scale units also creates difficulty. New ventures have limited financial resources and hence cannot afford to spend more on sales promotion and advertising. These units are not having any standard brand name under which they can sell their products. New ventures surely have to come up with new advertisement strategies which the rural people can easily understand. Literacy rate is one among many major problems faced by rural entrepreneurs and they should devise strategies and remedies to solve it. Also printed media has limited scope and coverage in the rural context. Traditionally bounded nature, cultural barriers and cultural backwardness all add to the difficulty of communication. English and Hindi are not understood by many people as people in rural areas mostly communicate in their local dialects. It has been seen in the recent past that in spite of enough food stocks with government warehouses, people have died of starvation. This indicates a major problem with the public distribution system. The producers too are not collective in their approach for marketing their products because they are too widely scattered and uneducated. b. Middlemen: Middlemen exploit rural entrepreneurs. Rural entrepreneurs are heavily dependent on middlemen for marketing of their products who necessarily pocket large amount of profit. Poor means of transportation facilities and storage facilities are also other marketing problems in rural areas. In most of the villages, farmers store the produce in open space, in earthen vessels, in bags etc. So these indigenous and traditional methods of storage are not capable of protecting the produce from weevils, dampness etc. The agricultural goods are not standardized and graded. 3. Management Problems: Some of the major management problems are as follows: a. Lack of Knowledge of I.T: Information technology as such is not very common in rural areas. Entrepreneurs rely on internal linkages that which encourage the flow of services, goods, ideas and information. The intensity of family and personal relationships in rural communities can sometimes be very much helpful but they may also present obstacles to effective and efficient business relationships.

**Productivity and Efficiency Effect:** Due to its access to global markets, abilities to specialize and also to take advantages of economies of scale and scope globalization is often said to result in higher productivity. Indeed exposure to global competition can certainly result in high levels of productivity and efficiency. However, it is less crucial for large economies like India. Because globalization enhances countries abilities to exploit comparative advantages arising from differing natural and ecological conditions, the potential gains to rural entrepreneur are also large. At the level of national policy these arguments certainly seem to favour globalization. There are many other factors which place rural entrepreneurs at a disadvantage. Most of them lack access to the technologies and market information that which would enable them to comply with quality requirements and specifications and also effectively respond to emerging opportunities. To compete in the modern world they rarely have access to credit and other financial services. Many entrepreneurs also face high transportation and input costs that which further reduce their ability to sustain and compete. Additionally, there are some entrepreneurs whose culture plays greater value on the maintenance of traditional ways of life, rather than on the material success in a much more competitive world. Apart from the above mentioned disadvantages, there is a wider question of whether the economic as well as institutional infrastructural facilities and structure of policies are favourable for small enterprises to succeed in the international competition. In short, Globalization as such presents real dangers to the rural entrepreneur, to set against the possible advantages for the wider economy. 2. Economic growth effect: Currently the argument in favour of globalization is the positive link between globalization and rural entrepreneurship in India. Because potential benefits certainly include improved access to managerial expertise and foreign technology. There

have been varied views concerning the connection which exists between trade openness and rural entrepreneurship growth and this has also given rise to a large body of empirical literature, suggesting a positive relationship between trade openness and rural entrepreneurship growth. The economy is moving steadily with more than 6 percent GDP growth rate for the last two decades or so. However, new economic policies have posed severe challenges to the rural and agricultural sectors of the economy. Overall, analyzing the above facts it indicates that openness promotes faster growth. Still the question remains unanswered as to what this might do for the rural entrepreneurs and enterprises, particularly as little FDI flows into agriculture. The evidence from various studies also suggests that the rural entrepreneurs overall are substantially included as beneficiaries from economic growth. However, the extent of inclusion varies internationally. As discussed earlier, openness and free trade results in faster growth. Growth might be expected to specifically benefit the rural entrepreneurs to such an extent that the agricultural sector is very much included in the economic expansion. In fact, there is very little evidence that trade expansion in India has actually taken this form. 3. Technological effect: Today one of the prominent features of globalization and one of the major reasons for predicting improved growth is transfer of technology. Formerly many small rural entrepreneurs saw major improvements in their businesses, but to a certain extent improvements were in a very limited area and also to a very limited number of entrepreneurs.

### **Challenges of Rural Entrepreneurs**

Role and challenges of rural entrepreneurs in economic development The entrepreneurs with their ability to scan, identify and analyze opportunities in the environment transform them into business proposition through creation of major economic entities there by channelizing the resources from less productive to more productive use create wealth. Through effective and efficient utilization of natural and national resources, they act as catalysts for economic development and also agents of social change and transformation. According to Joseph Schumpeter, the rate of progress of any nation depends upon its rate of innovation which in turn also depends on the rate of increase in the entrepreneurial talent in the population. According to Meir and Baldwin, development does not occur spontaneously as a natural consequence when economic conditions and consequences in some sense are right. A catalyst is certainly needed which results in entrepreneurial activity to a much considerable extent. The diversity of activities that which characterizes rich countries can be attributed to the supply of entrepreneurs. They play a vital role for the economic development of a country in the following ways:

**Formation of Capital:** Entrepreneurs as such by placing profitable business proposition do attract investment to ensure private participation in the industrialization process. The otherwise idle savings are also channelized for investment in business ventures in turn provides return. Again the savings are invested giving a multiplier effect to the process of capital formation.

**General Job Creators and Job providers and not the Job Seekers:** With the globalization process the government jobs are shrinking thus leaving many unemployed. In these circumstances, the entrepreneurs and their enterprises are the only source and hope of direct and indirect employment generation. Employment is generated directly by the requirement of the large enterprises and also indirectly by ancilliariation and consequential developmental activities.

**Balanced Regional Development:** Entrepreneurs always look for opportunities in the working environment. They capitalize on the opportunities of governmental concessions, facilities and subsidies to set up their enterprises in undeveloped areas. Classic example is setting up of steel plant at Tata Nagar, Reliance Petrochemicals at Jamnagar (Gujarat) which have resulted in the development of Good Township and peripheral regional development. Thus entrepreneurs reduce disparities and imbalances in development among regions where they operate.

**Improvement in the Standard of Living:** Entrepreneurial initiatives taken by entrepreneurs through employment generation leads to increase in income and also purchasing power which is spent on consumption expenditure. Certainly increased demand for goods and services boost up industrial activity. Large scale production with technological advancements will result in economies of scale and low cost of production. Modern concept of marketing involves creating demand and then filling it. New innovation oriented and varying quality products at most competitive prices make common man's life smoother, comfortable and easier which are also contributions of entrepreneurial initiative.

**National Self- Reliance:** Entrepreneurs are certainly the corner stores of national self-reliance. They help to manufacture indigenous substitutes to imported products which reduce the dependence on foreign countries. There is also wide possibility of exporting the goods and services to earn foreign exchange for the country. Hence, the export promotion and import substitution ensure economic independence and the country becomes self-reliance.

**Increase in per Capita Income:** Entrepreneurs convert the latent and idle resources like labour, land and capital into goods and services resulting in increase in the national income and in turn wealth of a nation. The increase in national income is thus an indication of increase in net national product and per capita income of the country.

**Planned Production:** Entrepreneurs are considered and best judged as economic agents since they unite all means of production. All the major factors of production i.e., land, labor, capital and enterprise are all brought together to get the desired production. This will help to make use all the factors of production with perseverance, proper judgement and knowledge of the world of business. The least combination of factors is possible avoiding unnecessary wastage of resources.

**Equitable Distribution of Economic Power:** The modern world is dominated by economic power. Also economic power is the natural outcome of business and industrial activity. Industrial development may lead to concentration of economic power in few hands which results in the growth of monopolies. The increasing number of entrepreneurs helps in the dispersal of economic power into the hands of many effective and efficient managers of new enterprises. Hence setting up of large number of enterprises certainly helps in awakening the evil effects of monopolies. Thus, the entrepreneurs are key to the creation of new enterprises that energizes the economy and also rejuvenate the established enterprises that which make up the economic structure.

## Findings and Suggestions

The Rural entrepreneurship in India are major contributing in India have registered considerable development and how it is growing panel wise with the onset of for all sector reforms starting in the pre and post independence. It is beneficiaries to note that the development in these markets has been in a gradual and calibrated manner, sequenced in line with the reforms in the real sector. The impact of these reforms has been evident in the process discovery process, the easing of restrictions and the higher and lowering of transaction costs. Apart from these, there has been evidence of greater domestic educational system also to be better. The development of Indian business system is an on-going process and should not be considered as an event. It is important, therefore, that the authorities and participants should play proactive and complementary roles to sustain the future large deeds and needs of a growing country such as India.

## Conclusion

I conclude certainly Rural entrepreneurs are act 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 favorable for an organization to

achieve efficiency. Economic policy of a country should also enable entrepreneurs to provide magical touch to an organization irrespective of public, private or joint sector in achieving innovativeness, speed, flexibility and also strong sense of self determination. Rural entrepreneurship however is the best answer for removal of rural poverty in India.

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