

## **RURAL ENTREPRENEURSHIP: AN ANALYSIS OF CHALLENGES AND PROSPECTUS**

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### **ABSTRACT**

*Rural entrepreneurship is a boon for economic development of developing country like India. In the present scenario of industrialization, rural entrepreneurship is a great opportunity for rural people, who otherwise are compelled to shift from rural to semi urban and urban areas. Contrary to this it is also true that rural entrepreneurs has to face so many problems and challenges like resistance from family, pressure from society, legal challenges and scarcity of funds. They are also facing problems of non availability of skilled labour, raw material and proper infrastructure, competition from large scale players, lack of education, insufficient technical and conceptual ability. In this way, this research paper mainly focuses on the challenges and problems faced by rural entrepreneurs. This paper also analyzes the prospects and potentialities of rural entrepreneurship for economic development of country. An attempt is made to provide suggestion and recommendation to overcome the problem faced by entrepreneur in the development of rural entrepreneurship. The Government should come forward to support them by way of providing adequate infrastructure in terms of transportation and storage, providing training, making funds available at cheaper cost, providing tax incentives and simplification of legal formalities. In nutshell, it is still in incipient stage and will have miles to go before it starts contributing in India's growth.*

**KEYWORDS:** *Rural Entrepreneurship, Economic Development, Industrialization, Legal Formalities.*

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### **Introduction**

Since independence, it is said that India is a country of villages and its true spirit lies in rural India where agriculture is the primary occupation of the people. However it has been observed that rural India has remained under-developed even after passage of 7 decades of independence. The employment opportunities in rural areas are very limited. Further, due to marginal holding of agriculture land by large chunk of farmers, the problem of over employment in agriculture sector in rural areas persists. On the contrary, urban areas are getting developed at a very fast pace where employment opportunities also exists. The situation of limited opportunities in rural areas, over-crowding of agriculture sector and availability of employment opportunities in urban areas has led to migration of rural population to urban areas. Migration of rural population to urban areas has raised the problem of congestion of urban areas leading to deterioration of living conditions of the people. Thus, it has become necessary to generate employment avenues in rural areas so as to control the pace of migration of the people to urban areas. The situation should be such that people should find it worthwhile to shift themselves from towns and cities to rural areas due to availability of better opportunities there. Not only migration from rural areas should be checked but also overpopulated towns and cities should also get decongested. One way of achieving this objective is forcibly stopping villagers in settling in slums in cities but this will not help in achieving the desired results as it may lead to social tensions and economic hardship. The other way out is to promote rural entrepreneurship. Rural entrepreneur, if properly supported and encouraged by the government policies, they can play a vital role in rural development with growth in employment opportunities in rural areas and help in creating more opportunities for revenue generation. As a result, purchasing power and standard of living of the people of rural area will increase.

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### Rural Entrepreneurship

Rural Entrepreneurship can be defined as creating entrepreneurs at village level. It can take place in number of fields such as business, industry, agriculture and acts as a potent factor for economic development. In other words, it means setting up of large and small scale units away from urban areas or planned shifting of units from urban areas to rural areas without disturbing the existing urban industrial structure. Rural Entrepreneurs are those who establish industrial and business unit in the rural area and carry out the entrepreneurial activities in rural and backward regions.

#### Objectives of Study

- To know the role of rural entrepreneurs in economic development.
- To learn the advantages and prospectus of rural entrepreneurship.
- To study the challenges faced by rural entrepreneurs in India.
- To know the problems in rural entrepreneurship.
- To recommend measures to solve the problems faced in rural entrepreneurship.

#### Methodology

The present study is based on the data collected from various sources and is largely based on the secondary data. The data has been collected from various published journals, books, annual reports, magazines and from various other publications. Apart from this some other relevant information has been collected from websites

#### Advantages and Prospectus of Rural Entrepreneurship

- Rural Entrepreneurship generates employment opportunities and therefore solves the problem of unemployment and under employment of people of rural area.
- By creating jobs in the rural areas rural entrepreneurship helps in improving the per capita income and raising standard of living of rural people.
- Rural industries can be started with low capital investment.
- The rural industries can take advantage of local resources – local raw material, skill and experience.
- It will help in catering to the local demand thereby avoiding transaction and transportation cost.
- Specialized ancillary components of large scale industries can be manufactured at a less cost in small units in rural areas by means of subcontract system.
- Rural industries can help to slow down the rate of urban migration.
- It will help in meeting demand arising from local consumption needs.
- Rural Entrepreneurship checks the concentration of industries in urban area, resulting in balanced regional development of the economy.
- It helps in equitable distribution of economic power by increasing the number of entrepreneurship which helps in weakening the bad impact of monopolies.

#### Challenges Faced by Rural Entrepreneurship

- **Family Challenges:** The foremost challenge that an individual faces in rural entrepreneurship is resistance from within the family. The family generally gives preference to job over setting up of new business unit as it is considered as a risky proposition as compared to job. The other reason for preferring job over setting up a new business is that person starts earning since joining the job whereas it takes time to achieve break even and earning profits in business. It is one of the major areas where resistance from the family arises and it becomes very difficult to convince them.
- **Social Challenges:** An entrepreneur who wishes to establish an enterprise also faces challenges in terms of his social status in the society. His social status is compared with the status of his counterpart who is in job and since break even period is longer in rural industry, he is forced to change his mind set to opt for job instead of setting up an industry.
- **Technological Challenges:** The other challenge an entrepreneur faces is lack of technological know-how and availability of requisite technical skills. It can also be attributed to the existing education system of the country which has not been changed with the changing needs of the business and the economy. Further, inadequate efforts have been put up to revamp the existing education system to incorporate technical education in it. Due to this reason, it has failed in providing technological knowledge which is the basic factor in creating rural entrepreneurship. Very little efforts have been put to make it comprehensive to support entrepreneurship skills.

- **Financial Challenges:** It is the major challenge that an entrepreneur faces at the time of setting up of an industry. Capital is the backbone of any business and an entrepreneur faces challenges in raising the funds from banks due to non-availability of adequate collaterals. In the absence of getting funds from the banks, he has to raise capital from small and medium business people who charges high rate of interest which reduces the profitability and competitiveness of the industry proposed to be set-up. Sometimes, they also refuse to lend the funds due to non-understanding of the business model of the proposed business.
- **Legal Challenges:** Rural entrepreneurs also get discouraged due to legal framework of the country. There are so many formalities for obtaining licenses that it becomes very difficult for rural entrepreneur to fulfill these formalities due to lack of awareness and low literacy level.

### Problems of Rural Entrepreneurship

Entrepreneurs play vital role in economic development of the country. But they face various problems in day to day work. Some of the major problems faced by rural entrepreneurs are as under:

- **Scarcity of Funds:** Rural entrepreneurs often face problem of scarcity of funds both for setting up of the business and for running its day to day operations. They not only face the challenge of availing credit at lower rate of interest due to non-availability of sufficient collateral cover at the time of setting up of business but also face scarcity of funds to run day to day operations, once business is set-up. Further, the procedure of availing the loan is also very tedious which often discourages them in setting up industry. The prevailing market conditions such as recession, changing Government policies, lower purchasing power of the rural people, lower sales volumes etc. also affect the availability of funds.
- **Lack of Education:** Rate of literacy among rural people is very low even in 21<sup>st</sup> century. Due to this factor, entrepreneurs are not able to follow latest technology. They have very less knowledge regarding various government schemes implemented to motivate them to take new venture in rural area.
- **Lack of Infrastructural Facilities:** In spite of the government efforts there is hindrance in the growth and development of rural entrepreneurship due to lack of infrastructure facilities like non availability of dedicated market place, non availability of training programmes to enhance knowledge, insufficient storage facilities and poor means of transport etc.
- **Risk Element:** For a successful entrepreneur, it is essential that he/she must have capacity to bear risk. Rural Entrepreneurs have very less capacity to bear risk due to lack of government support, limited financial resources and limited technical knowledge.
- **Competition:** Rural Entrepreneurs have to face tough competition from urban entrepreneurs and large scale units. Firstly urban entrepreneur and large scale enterprises have huge financial resources, so they can spend more on promotion of their products and can also offer higher discounts on their products which make product of rural entrepreneur uncompetitive. Secondly, consumer also prefers to buy product of established brand from the market which is available in the market at cheaper rate which impacts sale of product of rural entrepreneurs. Hence, it becomes very difficult for new venture to survive in the market due to this competition.
- **Shortage of Raw Material:** It is very difficult for rural entrepreneur to procure good quality raw material from the rural areas. Besides this, lack of warehousing and storage facility is another concern for their survival and growth.
- **Poor Quality of Product:** Another hindrance in the development of rural entrepreneurship is the poor quality of product produced by them due to lack of technical knowledge, availability of raw material of poor quality and non-availability of standard equipment and tools.
- **Middlemen:** Rural entrepreneurs are heavily dependent on the middlemen for selling their product because of shortage of transport and storage facilities. Middlemen charge hefty amount for providing these facilities and make a big cut in the profit of entrepreneur's profits. In this way, middlemen exploit rural entrepreneurs and reduce profitability of the venture.
- **Legal Formalities:** Rural entrepreneurs find it extremely difficult in complying with various legal formalities in obtaining licenses due to illiteracy and ignorance.
- **Lack of Technical Knowledge:** Rural entrepreneurs suffer a real problem of lack of technical knowledge. Lack of training facilities and extensive services create a hurdle for the development of rural entrepreneurship.

- **Lack of Skill Set:** Most of the rural entrepreneurs are unable to find workers having required skill set. Further, the attrition rate is also very high in this case. They have to be provided with on the job training and their training is generally a serious problem for the entrepreneur as they are mostly uneducated and they have to be taught in the local language which they can easily understand.
- **Negative Attitude:** The environment of the society and family is not very supportive to encourage rural masses to select entrepreneurship as career option. They have very less knowledge and awareness of opportunities and prospectus in this career.

#### **Recommendations to Boost Rural Entrepreneurship**

- Marketing co-operatives should be set up, so that rural entrepreneurs get various inputs easily and at concessional rates. It also helps the entrepreneurs in selling products at reasonable prices.
- Proper supply of good quality raw material at reasonable and subsidized price should be available to rural entrepreneurs so as to make their product cost competitive.
- Proper infrastructure facilities should be provided to rural entrepreneurs.
- Technology and tools applied in rural entrepreneurship are outdated. Sufficient finance must be provided by the government to modernize their technology, so that entrepreneurs can face competition from urban entrepreneurs and large sized organizations.
- Production centers of rural area must be linked to market in the urban areas.
- Awareness programme should be organized to create knowledge regarding various government schemes and facilities implemented for promotion of rural entrepreneurship.
- Government of India should provide training facilities for up gradation of rural skill. Training institutions needs to be strengthened. Training programmes should be conducted for enhancing managerial skills and growth of entrepreneurship.
- Elimination of middlemen in marketing business for providing proper price of the product.
- Rural entrepreneurs should get loan on concessional rates and on easy repayment methods. Micro Finance Organizations should be set up for providing loans at cheaper rates.
- Common marketing complex should be developed.
- The educated youth of the rural area should be motivated by government to choose rural entrepreneurship as career option through its policies and programme
- Tax incentives should be provided to encourage setting up of industries in rural areas.

#### **Conclusion**

Although rural entrepreneurs has to face so many problems, but rural entrepreneurship plays a role of catalyst for economic and overall development of country like India. Rural entrepreneurship helps in creating employment opportunities, increasing standard of living of rural masses, reducing migration of rural areas to urban areas and in reducing poverty and economic disparity. So we can say that the importance of rural entrepreneurship in the context of developing countries like India cannot be ruled out but still it is in incipient stage. A lot more contribution from government in terms of providing infrastructure and financial support is required to flourish and boost its share in India's growth. Government should make more comprehensive policies for development of rural entrepreneurship. Government policies should be such that motivate the rural youth should choose rural entrepreneurship as a career.

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