

RURAL ENTREPRENEURSHIP IN INDIA: OPPORTUNITIES AND CHALLENGES

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ABSTRACT

Entrepreneurship emerging in rural areas is called rural entrepreneurship. Rural entrepreneurship is the second source of providing employment in rural areas, because agriculture cannot provide employment all over the year. Rural entrepreneurship symbolizes rural industrialization. Rural industrialization provides the best solution to tackle with the twin problems of unemployment and poverty stalking the rural areas in the country. That is why the Government of India has been assigning increasing importance to the development of rural industrializations or entrepreneurship in her subsequent Five-Year Plans. Rural entrepreneurship implies rural industrialization. Though it is traditional but now modified in to seven major categories as mineral, forest, agro, polymer and chemical, engineering and non- conventional industry, textile and service industry. However, the development of rural industrialization is plagued by some major problems like inadequate flow of credit; use of obsolete technology, machinery and equipment, and inadequate infrastructural facilities. Solving these problems is necessary for developing rural industries/entrepreneurship. Of late, NGOs have proved as an effective agent in developing entrepreneurship in rural areas of the country. Rural entrepreneurship will be helpful for balanced economic development in India.

Keywords: *Entrepreneurship, Infrastructural, NGO, Rural, Fixed Capital Investment, Rural Industrialization, Industrial Policy Resolutions, Backward Area Development Program, Industrial Policy Statement, Entrepreneurship Development program , Small Scale And Village Industries,.*

Introduction

Rural entrepreneurship has conjures different meanings to different people. Without going into semantics, rural entrepreneurship can simply be defined as entrepreneurship emerging in rural areas is rural entrepreneurship. In other words, establishing industrial units in the rural areas refers to rural entrepreneurship. Or rural entrepreneurship implies rural industrialization.

Rural industries are generally associated with agriculture. According to the Khadi and Village Industries Commission (KVIC), "Village industry or rural industry means any industry located in rural area, population of which does not exceed 10,000 or such other figure which produces any goods or renders any services with or without use of power and in which the fixed capital investment per head of an artisan or a worker does not exceed a thousand rupees".

The definition of village industry has been recently modified by the government so as to enlarge its scope. Accordingly, any industry located in rural area, village or town with a population of 20,000 and below and an investment of Rs. 3 crores in plant and machinery is classified as a village industry. As a result of widening of the scope of village industries, 41 new village industries have been added making a total of 101 as against 70 industries earlier.

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All the village industries have been grouped into seven major categories as follows:

- Mineral-based industry,
- Forest -based industry,
- Agro-based industry,
- Polymer and chemical-based industry,
- Engineering and non-conventional industry.
- Textile industry (including khadi), and,
- Service industry.

Needs

- The need for rural entrepreneurship for developing industries in the rural areas is imbued with multiplicity of justification as listed below:
- Rural industries being labour intensive have high potential in employment generation. Thus, they serve as an antidote to the widespread problems of disguised unemployment or under-employment stalking the rural territory.
- By providing employment, these industries have also high potential for income generation in the rural areas these, thus, help in reducing disparities in income between rural and urban areas.
- These industries encourage dispersal of economic activities in the rural areas and thus, promote balanced regional development.
- Development of industries in the rural areas also help build up village republics.
- Rural industries also help protect and promote the art and creativity, i.e. the age-old rich heritage of the country.
- Rural industrialization fosters economic development in rural areas. This curbs rural-urban migration, on the one hand and also lessen the disproportionate growth in the cities, reduces growth of slums, social tensions, and atmospheric pollution ,on the other
- Last but no means the least, rural industries being environment friendly lead to development without destruction i.e., the most desideratum of the time.

History

Prior to Independence, small industry occupied almost insignificant place in the national economy. Then, the commonly used term was cottage industry/handicrafts, which were located in rural areas. The government sincerely looks interest in the development of rural/village industries since Independence. The important role which rural industries can play in ameliorating the socio- economic conditions of the rural areas has received emphasis in most of the major policy pronouncements on development in India. The Industrial Policy Resolution of 1948 emphasized the "utilization of local resources and the achievement of local self sufficiency in respect of certain essential consumer goods" as the most suitable characteristics of cottage and small industries this approach was followed in the First Five-Year Plan. But, the development of rural industries was conceived largely in isolation of the rest of the economy. The First Five Year Plan stressed the development of agriculture, industry, infrastructure, and social services, but all this in a manner that maximum feasible additional employment opportunities were created to raise the standard of living of the people.

The Industrial Policy Resolution of 1956 while emphasizing the creation of employment, equitable distribution of incomes and an effective mobilization of capital and skills. Pointed out the characteristics of cottage, village and small-scale industries are favorable to the achievement of these objectives. Accordingly, the Second Five-Year Plan looked upon rural industries as an integral component of the national economy to some extent, forming the basis of a pyramidal industrial Structure. With the formulation of 26 Pilot industrial Projects, which were intended to be an exercise in area development, a spatial dimension was added to the programme of rural and small industry. This approach was followed up in the Third Five-Year Plan (1961-62.-1965-66).

Rural Industries Projects in 49 selected areas were taken during the Third Plan. This plan envisaged the development of village and small industries sector to provide employment and to increase the consumer goods and some producer goods. The programme aimed at promoting village and small-scale industries, including ancillary units of large-scale units, in order to achieve a balanced regional development. This process of rural industrialization was continued during the Annual Plans (1966-69) and the Fourth Five-Year Plan (1969-70 to 1973-74), when a Backward Area Development Programme was adopted, which included industrial development as well. For this, agro industries dispersal of these industries in backward areas were accepted as instruments.

The Fifth Five-Year Plan emphasized the need to ensure industrial development in underdeveloped areas. The Industrial Policy Statement of 1980 promised to generate economic viability in the villages dependent on a strategy based on an industry cum area development approach. This was aimed at injecting integration of the programme. The District Industries Centers (DICs) were set up during this period to provide the required services under one roof. Rural industrialization continued to receive the main focus of development efforts in the Rural areas during the subsequent sixth five year plan also in order to strengthen the process of rural industrialization, the Sixth Plan redefined Small Scale Industry (SSI) so as to include those manufacturing and repairing units as having investment in plant and machinery up to Rs. 20 lakhs and in the case of the ancillary units Rs. 25 lakhs.

The Seventh and Eighth Plans accorded importance to the role of institution in marketing, credit, technology etc, in the promotion of rural industrialization in the country. With a view to step up rural industrialization, a number of projects covering a variety of rural industries, viz., food processing, pottery, leather items, readymade garments etc., have been taken up by the Khadi and Village Industries Commission (KVIC). The Ninth Five Year Plan includes the following development strategies for the village and small - scale industries (VSI) sector:

- The small-scale and village industries will be provided incentives and support to facilitate their growth and employment. It will be ensured that foreign investment does not displace such industries.
- Credit facilities to small-scale industries will be increased. For this, the financial institutions will be motivated to offer factoring services to the SSIs in addition to the present system of discounting bills.
- The investment limit for the SSI sector will be revised to Rs. 3 crore to take account of inflation and also to enable this sector the achievement of minimum economics of scale and upgradation of technology so as to withstand emerging competition.
- Technology development and upgradation in the VSI sector, especially in the case of small-scale industries, handlooms, power looms, coir-handicrafts, wool, etc., will receive special attention.
- Special attention will be paid to sericulture to improve the quality of raw silk by introducing better silk worm breeding practices.

Challenges

Development entrepreneurship especially rural entrepreneurship is as important is not so easy. It is constrained with several problems. The general bottle-necks in the development of village industries are financial constraints, lack of technical know-how, lack of training and extension services, management problems, lack of quality control, high cost of production due to high input cost lack of communication and market information, poor quality of raw materials, lack of storage and warehousing facilities, obsolete and primitive technology, and lack of promotional strategy.

According to the Ninth Plan, the major problems faced in developing entrepreneurship in rural Areas are:

- Inadequate flow of credit.
- Use of obsolete technology, machinery and equipment.
- Poor quality standards.
- inadequate infrastructural facilities
- Problem of Raw material.
- Problem of finance.
- Problem of under utilization of capacity.
- Problem of electricity.
- Problem of infrastructure.
- Problem of illiteracy.
- Problem of poverty.
- Problem of high cost and old technology.

One of the major problems faced in developing entrepreneurship in rural areas is lack of awareness and knowledge about the importance of developing industries in rural areas. Added to this is disinterest shown by rural people towards assuming the career as an entrepreneur for one reason or

other. Rural/village people generally want to take up salaried employment because of assured income, lesser hours of work, lesser degree of responsibility etc. This is supported by the society's higher degree of status accorded to the salaried people than to self-employed ones, or say, entrepreneurs. Further, the rural people are generally not aware about the entrepreneurial opportunities available and also about support organizations and other information required to take the first step in their entrepreneurial career. Even those who are aware about the facilities and support system for starting entrepreneurial career find organizational climate to be not so helpful. Thus, the environment in the family, society and the support system is generally not conducive to encourage the rural people to consider self-employment and entrepreneurial career as an option to salaried employment.

Besides, developing rural entrepreneurship faces all those problems that are faced in the development of small-scale industries in the country.

Solution

Establishing an industry and, thereby developing entrepreneurship is not one- man activity. In fact it involves multi-pronged activities. Though the answer to the question how to develop entrepreneurship lies in the solutions of the problems faced in this regard, yet the following measures are suggested for developing entrepreneurship in the rural areas in the country.

Raw material is a must for any industry. However, the non-availability of raw materials accompanied by their prohibitive cost have weakened the viability of these industries. Past experience bears evidence that rural industries with employment potential can not be sustained for long unless a strong raw material-base is created in rural areas itself. There fore, an urgent policy is called for the strengthen the raw material haze in rural area.

Finance is considered as lubricant for setting up and running an industry. Funds, therefore, need to be made available on time at soft terms and conditions to those who really need it.

In order to solve the problem of marketing for rural industries, common production cum-marketing centers need to be set up and developed with modern infrastructural facilities, particularly, in the areas having good production and growth potential. This would help in promoting export business, on the one hand, and bringing the buyers and sellers in close interaction avoiding middleman in between them, on the other. Legislative measures have to be taken to make the government purchases compulsory from rural industries.

One peculiarity of rural entrepreneurs is that most of them join their entrepreneurial career not by choice but by chance. Lack of aptitude and competency on the part of such entrepreneurs makes the units sick Hence, there is a need to develop entrepreneurial attitude and competencies among the perspective entrepreneurs through the training interventions like Entrepreneurship Development Programmes (EDP), Women Entrepreneurship Development Programmes and TRYSEM.

One effective way to inculcate the entrepreneurial acumen and attitude may be imparting entrepreneurial education in the schools, college, and universities. That younger minds are more susceptible to be moulded is well evidenced by the popularly known 'Kakinada Experiments' in Andhra Pradesh.

Sometimes the real problem in setting up industries is not the non- availability of facilities, but non-awareness of facilities whatever are available. The need is, therefore, to disseminate information about all what is available to provide to the entrepreneurs to facilitate them in setting up industries.

Proper provisions need to be made to impart the institutional training to orient the entrepreneurs in specific products and trades so that local resource be harnessed properly.

Our accumulated experience bears ample evidence to the fact that the non- governmental organizations, popularly known as NGOs, can prove instrumental in developing rural entrepreneurship in the country. The role of NGOs in developing entrepreneurship is, therefore, discussed separately NGO's.

NGO's and Rural Entrepreneurship

Today, we have several NGOs contributing to entrepreneurship development in the country. The major ones are National Alliance of Young Entrepreneurs (NAYE), Word Assembly of Small and Medium Entrepreneurs (WASME), Xavier Institute for Social Studies (XISS), SEWA of Ahemdabad, 'Y' Self-Employment of Calcutta, AWAKE (Association of Women Entrepreneurs of Karnataka), and Rural Development and Self-Employment Training Institute (RUDSETIs) based in Karnataka.

The NGOs involved in entrepreneurship development can be classified into three types:

- **Primary Level NGOs:** The NGOs, who mobilize their own resources, operate at international level and execute developmental activities themselves or through intermediate fall within this category ACTIONAID, OXFAM, Christian Children etc. are prominent examples of the primary level NGOs in India.
- **Intermediate NGOs:** These NGOs procure funds from various agencies import training, and conduct workshops for target work force. SEWA and AWAKE are examples of intermediate NGOs.
- **Grass Root Level NGO:** These NGOs are those who conduct field activities by establishing direct contact with the grass root people (needy). Examples of such NGOs are RUDSETS, ANARDE Foundation (Gujarat), Indian Institute of Youth Welfare (IIYW) of Maharashtra etc.

The training imparted to the needy by the NGOs can be classified into three broad types:

- **Stimulation:** Conducting EDPs and other training programmes for the target people with a view to stimulate enterprising attitude among them.
- **Counseling:** Providing counseling and consultancy service to the needy ones how to prepare a project, feasibility report, purchase of plant and machinery, and performing other procedural activities.
- **Assistance:** Assisting the target group in marketing their product and securing finance from financial institutions.

Lastly, the role of NGOS entrepreneurship development can better be understood in terms of their strengths and weaknesses in the context of entrepreneurship development. The NGOs have revealed the following strengths an edge over others:

- The lean overhead and operating costs to reach the poor and needy.
- Flexibility and responsiveness in operation to invent appropriate solution.
- Nearness to client groups made them to be sensitive to community need
- Capacity for innovation and experimentation with new groups and untried development approach.
- Stimulating and mobilizing interest in the community,
- Dependence on customer satisfaction
- That one cannot imbue in others what one cannot possess oneself applies to the NGOs also. The well-noted weaknesses the NGOs suffer from are listed as follows.
- Role Conflict as to the traditional areas of operation and micro- entrepreneurship development.
- Doubtful leadership and succession.
- Anti-business philosophy, lack of programme integration due to lack of proper understanding of entrepreneurship approach.
- Inadequate opportunities to work as trainer/motivator.
- Absence of Impact assessment because of self righteousness on the part of NGO leaders.
- Not all NGOs are ready and equipped to take up this activity.

In spite of these so-called weaknesses, the role of NGOs in entrepreneurship development cannot be undermined. Evidence are gallore to mention that a few NGOs in India have succeeded largely in imparting entrepreneurial skills among the weaker sections of the society.

Summary

Rural entrepreneurship is very needful in several kinds. Rural industries are based on labour intensive and helpful to remove unemployment and income generating in rural areas. Balanced regional development of the nation, protect and promote art and creativity. There are some challenges before rural entrepreneurship. Financial crisis, lack of technical knowledge, lack of training and extension services, management problems, lack of quality control, high cost of production due to high input cost lack of communication and market information, poor quality of raw materials, lack of storage and warehousing facilities, obsolete and primitive technology and lack of promotional strategy.

Raw material on low cost cheap and modern technology financial assistance, market information and trade facilities should be provided to improve rural entrepreneurship. NGO's may be helpful to rural entrepreneurship development. Thus rural entrepreneurship will be helpful for balanced economic development in India.

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