



# ROLE OF RURAL ENTREPRENEURS IN INDIAN ECONOMY WITH SPECIAL REFERENCE TO THE RURAL DEVELOPMENT

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## Abstract

Entrepreneurship plays an influential role in the economic development of any nation. It is a vehicle to improve the quality of life, especially for those people who are living in rural areas where resources are either in raw crude form or in under-developed condition, the application of which is often very tough and challenging. Despite these challenges, most of the rural entrepreneurs can use their rustic innovative talent to succeed. In our country, 70-80% people live in rural areas and most of them are dependent directly or indirectly on either agriculture, fishery, animal husbandry or rural wage labour associated with plantations and ranches. Alongside, they also perform other ancillary activities linked to rural development. The entrepreneurship development programmes can be very useful to provide better opportunity to rural masses for improving their living standard. Entrepreneurship can also control migration to urban areas. The present paper is an attempt to highlight the role of rural entrepreneurs in a tough and challenging environment. The study will be based on secondary data only and will be limited to the rural entrepreneurship and improving the Rural Entrepreneurship Ecosystem.

*Keywords:*

*Rural Entrepreneurs, Rural Development, Role of rural Entrepreneurs, Challenges and opportunities.*

## 1. Introduction:

India is the second most populous country in the world, after China and facing with serious income inequality problem like Russia where 74.5% wealth is owned by 1% Russian people. Presently, Russia is the most unequal country where India stood at second position. In India, 58.4% wealth is owned by 1% rich people of the economy while, rest of 99% Indian people have only 41.6% share of Indian people. About 80.7% wealth are shared by 10% rich people of India and only 19.3% share of gross Indian wealth is owned by 90% people of our country.

It is well known fact that India is a country of villages. About three- fourth of India's population are living in rural areas out of which 75% of the labour force is still earning its livelihood from agriculture and its allied activities. Land being limited is unable to absorb the labour force in agriculture. Therefore, there is a need to develop rural industries to solve rural unemployment and rural migration to cities. Growth and development of rural economy is an essential pre-condition to development of the nation as a whole. The gap between rural-urban disparities should be lessened.

## 2. Objectives of the study:

- To know the concept of rural entrepreneurship and their types.
- To analyse the performance of rural entrepreneurs.
- To analyse the performance of rural entrepreneurs in economic development.
- To study the major challenges faced by rural entrepreneurship in India.
- To suggest some remedial measures to solve the problems faced by rural entrepreneurs.

## 3. Methodology

The present study is based only on secondary data. The data have collected from books, journals, website and annual reports etc.

## 4. Conceptual Framework

**4.1 Rural Development:** The economic development of our country largely depends on the progress of rural areas and the standard of living of rural masses. This type of progress is called rural development. Actually, Village or rural industries play a vital role in the economy, particularly in the rural development.

**4.2 Entrepreneurship:** Rural entrepreneurship is based on stimulating local entrepreneurial talent and the subsequent growth of indigenous enterprises. It recognizes opportunity in the rural areas and accelerates a unique blend of resources either inside or outside of agriculture. Rural entrepreneurship brings an economic value to the rural sector by creating new methods of production, new products and generates employment opportunities thereby ensuring continuous rural development.

### **4.3 Entrepreneurs:**

Rural entrepreneur is one of the most important inputs in the economic development of a country and of regions within the country. Rural entrepreneurs are those who carry out entrepreneurial activities by establishing Industrial and business units in the rural sector of the economy. Establishing industrial and business units in the rural areas refers to rural entrepreneurship. Rural entrepreneurship can be considered one of the solutions to reduce poverty, migration, economic disparity, unemployment and to develop rural areas and backward regions.

### **5. Types of Rural Enterprises:**

The rural enterprises are those enterprises that are located in rural areas, village or town with a maximum population of 20,000 and investment up to Rs. 3 core in plant and machinery. These are classified as under:

#### **5.1 Agro industries**

Those industries which input as raw material are agricultural produce like, sugar cane for sugar industries, vegetables and fruits for juice producing industry, wheat etc. for flower mills, paddy for rice mills etc. is called agro industries.

#### **5.2 Textiles industries**

Handloom & Power loom production like- weaving, colouring, spinning and bleaching works.

#### **5.3 Forest Based Industries**

These industries include wood products, coir industry, Bleed making, honey making, bamboo products, etc.

#### **5.4 Mineral Based Industry**

These include stone crushing, cement industries, wall coating powders etc.

#### **5.5 Handicrafts**

These include making of wooden or bamboo handicrafts that are local to that area, traditional decorative products toys and all other of handicrafts typical to the region.

#### **5.6 Engineering and services**

These include agricultural equipments, tractor sand pump sets, repairs etc.

#### **5.7 Metal industries like- Blacksmith, goldsmith etc.**

#### **5.8 Ceramics industries etc.**

All of the above mentioned industrial enterprises are suitable for the rural sector.

### **6. Performance of Rural industries:**

The performance of the rural industries in respect of production, sales and employment is shown in the following table:

**Table-1****Performance of Rural industries (Khadi & village)**

Year	Total Production (Rs. In crore)		Total Sales (Rs. In crore)		Cumulative Employment (In Lakh person)	
	Khadi	Village	Khadi	Village	Khadi	Village
2010-11	673.01	19198.85	917.26	24875.73	10.15	103.65
2012-13	761.93	23262.31	1021.56	26818.13	10.71	114.05
2013-14	811.08	25298.00	1081.04	30073.16	10.98	119.40
2014-15	879.98	26689.39	1170.38	31965.52	11.06	123.19
2015-16	1065.60	33424.62	1510.00	40338.56	11.07	126.76

**Source: MSME Annual Report 2014-15, 2015-16 & 2016-17**

From the above table it is cleared that the rural industry has two sectors; one is Khadi and another is village industry. Total production of Khadi sector was Rs.673.01 crore in FY 2010-11 which reached at Rs. 1065.60 at the end of FY 2015-16. During the five years period it grew as much as 58%. In other words, it may be say that the annual average growth rate found 12% approximately. Whereas, the growth rate of production of village industry sector was found 74% during the same period. It means it was grown average @14.8% annually.

Similarly, the total sales value of Khadi sector was reached at Rs.1510 crore at the end of FY 2015-16 with compared to Rs,917.26 crore in FY 2010-11. During the five year period the total sales value was grown at rate of 65%. In compared to Khadi the sales values of village industries was 62% only during the same period.

During the period, cumulative employment in khadi sector was reached at 11.07 lakh persons at the end of FY 2016 in comparison with 10.15 Lakh persons in 2010-11. During the five year period khadi sector provided only 90,000 new jobs. During the same period village industry sector was created 23.11 lakhs new jobs.

**7. Role and Importance of Rural Entrepreneurs in India**

The development of rural entrepreneurs is a complex problem that can solve social, political and economic institutions. Rural entrepreneurs play a vital role in the overall

economic development of the country. The growth and development of rural industries facilitate self employment, results in wider dispersal of economic and industrial activities and helps in the maximum utilisation of locally available raw materials and labour. Following are some of the important role which rural industries play in ameliorating the socio-economic condition of the rural people in particular and the country in general.

### **7.1 Proper utilisation of local resources and wealth creation:**

Rural industries help in the proper utilisation of local resources like raw materials and labour for productive purposes and thus increase productivity. They can also mobilise rural savings by placing profitable business proposition attract investment to ensure private participation in the industrialisation process. Again the savings are invested giving a multiplier effect to the process of wealth creation.

### **7.2 Job creation and employment:**

Rural industries create large-scale employment opportunities for the rural people. The development of industrial units in rural areas through rural entrepreneurs has a great potential for employment and income generation.

### **7.3 Balanced Regional Development:**

Setting up new businesses and industrial units in developed and backward areas give a better opportunity to develop the region. The growth of industries and business in these areas leads to infrastructural improvements like better roads and rail links, airports, stable electricity and water supply, schools, hospitals, shopping malls and other public and private services that would not otherwise be available.

### **7.4 Equitable Distribution of Economic Power:**

The modern world is dominated by economic power. Large scale Industrial development leads to concentration of economic power in few hands which creates big gap between rich and poor. The increasing number of entrepreneurs helps in dispersal of economic power into the hands of many efficient managers of new enterprises. Hence setting up of a large number of enterprises helps in equitable distribution and weakening the evil effects of monopolies.

### **7.5 Check on migration of rural population:**

Rural entrepreneurship can fill the big gap and disparities in income rural and urban people. Rural entrepreneurship will bring in or develop infrastructural facilities like power, roads, bridges etc. It can help check the migration of people from rural to urban areas in search of jobs and better life.

### **7.6 Promotion of artistic activity:**

Protecting and promoting arts and crafts through rural entrepreneurship preserves the rich heritage of rural India.

### **7.7 National Self- reliance:**

Entrepreneurs are 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 a possibility of exporting goods and services to earn foreign exchange for the country. Hence, the import substitution and export promotion ensure economic independence and the country becomes self-reliance.

### **7.8 Improvement in Standard of Living:**

Rural entrepreneurial initiative gives better employment opportunity that leads to increase in income and purchasing power which is spent on consumption and education. Their education and financial independence will make the community prosperous and thereby increase their standard of living.

### **7.9 Others role and importance:**

In addition to above, some others roles are also important like-to wake up the rural youth, to Check Social Evil, to increase per capita income etc.

## **8. Challenges of Rural Entrepreneurs:**

Entrepreneurs play a very important role in the economic development of a country. They face numerous problems and challenges in day to day activities. Every business has to face its own kind or problems and challenges. Out of which some of the major challenges are as follows:

### **8.1 Challenges with regard to finance**

- Management of fund is a vital challenge for the rural entrepreneurs. Most of the rural entrepreneurs fail to get external funds due to absence of tangible security and credit in the market.
- Due to scarcity or finance development of infrastructural facilities is not easy for him.
- Rural entrepreneurs have less risk bearing capacity due to lack of financial resources and external support.

### **8.2 Challenges with regard to marketing**

- Rural entrepreneurs have to face severe competition from large sized organisations and urban entrepreneurs whose products are standard and low cost too.
- Rural entrepreneurs have no brand name under which they can sell their products. It is also difficult to advertise the same without any branding.
- Presence of middlemen in marketing is also challenge for the rural entrepreneurs because large amount of profit goes to the pocket of middlemen.

### 8.3 Challenges with regard to management

- Quality management is also challengeable for rural entrepreneurs, because their raw materials are not up to mark and technological application is also poor.
- Due to lack of sufficient warehouse purchase and procurement of large scale is not possible for rural entrepreneurs.
- Lack of Knowledge of information technology is a big problem of rural entrepreneurs.
- Another important problem is growth of rural entrepreneurship is the inferior quality of product.
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### 8.4 Challenges with regards to human resources

- Most of the entrepreneurs of rural areas are unable to workers with high skills, because of availability of skilled person in rural areas at low cost are very less.
- Rural entrepreneurs are generally less innovative in their thinking.
- The environment in the family, society and support system is not conducive to encourage rural people to take up entrepreneurship as a career. It may be due to lack of awareness and knowledge of entrepreneurial opportunities.
- Lack of market information due to poor communication facility etc.

## 9. Opportunities

- Social and cultural development
- Improved risk taking ability.
- Governments of nations withdrawn some restrictions
- Free entry into world trade.
- Encouragement to innovations and inventions.
- Promotion of healthy completions among nations
- Technology and inventions spread into the world.
- Consideration increase in government assistance for international trade.
- Benefits of specialization.

## 10. Government's Scheme for the rural entrepreneurial development.

For the purpose of Indian entrepreneurship development, different organisation like IFCI, ICICI, SIDBI, NABARD etc. are set up as development financing institution by the government of India. Similarly at the state level, State Financial Corporation/ State Small Industries Development Corporation etc. are also set up by the concerned state Government. Granting of loan from these financing institutions are very methodical and time taking. The terms and condition are too tedious to qualify the same by the rural entrepreneurs. Some other initiatives have also been taken by the government of

India for rural socio- economic development. Some of these include: Integrated rural development programme (IRDP), Jawahar Rojgar Yojna (JRY), Sampoorna Grameen Rojgar Yojna (SGRY), National Rural Employment Guarantee Programme (NREGA), National Rural Employment Programme (NREP) etc, but these are not enough for employment security of every rural person. Therefore, to provide soft loan facility to rural entrepreneurs is essential for their self employment as well rural development.

### **11. Suggestions for development of rural entrepreneurship development:**

From the above discussion it is cleared that the different step taken by Central and State Governments are not enough for the development of rural entrepreneurs' as well rural development. Problems and challenges of rural entrepreneurs such as marketing, financing, management and human resources etc. may be solved, if the following suggestions are adopted:

#### **11.1 Continuous supply of Raw materials**

Unavailability of scarce raw materials is the most vital problem for rural entrepreneurs. Its supply should be secured when demanded.

#### **11.2 Setting up marketing co- operatives**

Marketing co-operative may be helpful in marketing of products of rural entrepreneurs and supply of raw materials at reasonable rate when it is required.

#### **11.3 Setting up separate financing cell**

Government should create a special fund for the rural entrepreneurs linked with local financing institution which can finance them easily. It may be facilitated with subsidy or less interest rate.

#### **11.4 Setting up training cell**

Training is very much essential for the development of entrepreneurship. Although, presently, the Govt. of India has facilitated it as general by Skill India Programme but it is required as special for rural entrepreneurs separately.

#### **11.5 Workshop arrangement to share experiences by successful rural entrepreneurs**

Experiences shared by successful entrepreneurs must be helpful for the rural entrepreneurs. Therefore, it should be arranged from time to time.

### **Conclusion:**

On the basis of above discussion, it is concluded that the rural industries play an important role in the national economy, especially in the area of rural development. Rural entrepreneurship development is not effective only as a means of generating employment opportunities in the rural economy, but also it contributes to the development of agriculture and urban industries. Therefore, to motivate our youths NGOs and government should come with training and sustaining support systems providing all necessary assistance so that rural youths take up entrepreneurship as a career option. Without rural industrialisation, it would not be easy to solve the problem



of unemployment, migration, economic disparity between rich and poor, rural backwardness and national poverty.

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THANKS