



“IMPEDIMENTS IN RURAL ENTREPRENEURSHIP THROUGH ‘RPSE’ (RURAL PROCUREMENT AND SUPPLY ENTERPRISE) MODEL”

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Abstract

India is the country of villages and the people in rural area depends on agriculture for their livelihood. In rural area educated youths are not getting the job opportunities according to their educational qualification. In prevailing situation, it is necessary for the educated rural youths to undertake the entrepreneurship in rural area as the career option to overcome from the problem of poverty and unemployment. Economic development has direct link with entrepreneurial development and government has been promoting various programmes and schemes to boost rural economy through entrepreneurship development and income generation at non-farm sector. Rural procurement and supply enterprise (RPSE) model is an option which help the educated youths to overcome from the problem of unemployment by engaging themselves in entrepreneurial activities in non-farm sector. There are many hindrances for the youths to undertake the entrepreneurship as a career option. The researcher has used the focus group discussion to understand the problems in implementation and working of RPSE model. The researcher found out the various problems faced during the implementation of the model like lack of self-esteem, innovation, personal control, etc. The researcher tried to give the possible solutions to the above said problems.

Key words-Unemployment, Poverty, Rural entrepreneurship, etc.

Introduction

India is a country of villages. Nearly two third of its major population reside in villages and their livelihood is supported by agriculture and allied activities. Thus, the nations' economic development depends largely on the standard of living of the people who live in the rural areas and the level of development which has actually taken place there. Indian agriculture is exposed to low productivity, natural calamities, agriculture and cash crop mismatch, disparities in various public private partnerships. Since the land area for agriculture is limited, not everyone is employed. This leads to migration of people from rural to urban areas. Rural development is more than ever before linked to entrepreneurship. Institutions and individuals promoting rural development now see entrepreneurship as a strategic development intervention that could accelerate the rural development process.

There is no much difference between urban entrepreneurship and rural entrepreneurship. However, rural entrepreneurship specific for rural area and, has less application compared to urban area, most of its application goes to agribusiness and few non-farm activities. Economic development has direct link with entrepreneurial development and government has been promoting various programmes and schemes to boost rural economy through entrepreneurship development and income generation at non-farm sector.

entrepreneurship and proper supply chain management at rural area definitely help to generate a greater number of employment and additional income source for youths along with farm revenue. In economics multiplier fails due to leakages, similarly in case of supply chain management leakages from intermediaries harm the efficient operation of supply chain management. Moreover, enterprises need skilled and efficient entrepreneur to initiate, execute and market his/her products. In rural area farm sector has been suffered a lot in India due to miss of link between farm and non-farm activities and these gaps can be filled with efficient rural entrepreneurship development.

Rural communities are often only aware of a limited number of contractors and service providers to choose from when working on projects. Communities that lack expertise in government procurement can end up overpaying, receiving substandard services, or paying for unneeded services. Many rural municipalities purchase from the same limited number of suppliers due to convenience, established relationships, tradition, lack of awareness of other providers, and a lack of comprehensive procurement policy. At best, this results in paying slightly more for services; at worst, this can result in serious legal infractions by community officials. The present study looks into rural entrepreneurship in enhancing income for farmers and employment for rural youths. In addition, current study focuses on supply chain and distribution aspects in rural area to find new avenues for entrepreneurs.

Objectives of the study

- To study the working of rural procurement and supply enterprise model.
- To find out the challenges in implementation of rural procurement and supply enterprise model.
- Knowing the big problems, obstacles, opportunities and needs to build Indian entrepreneurs in rural area.

Literature review

Henderson (2002) Rural entrepreneurship is credited for transforming and revitalizing the rural economy, enhancing value creation, generating opportunities for employment and fostering market linkages. Ismail et.al (2013) highlights the growing number of young graduates without proper experience and simultaneously increasing fund allocation for small entrepreneurial development in Malaysia. Despite having financial assistance to enterprise development, unemployment was inevitable to Malaysian educated youths. Gebregziabher (2015) The focus of rural development activities is often limited to measures designed to increase agricultural productivity and yield. Governments and development partners are thus committed to providing rural infrastructure, inputs, and extension services. Niska et.al. (2012) tried to study the problems and prospects of farmers and role of peasant–entrepreneur typology in Finland. This study addresses the differences between indigenous style of farming and modern entrepreneurship development idea. It studies the implications of Common Agricultural Policy (CAP) in Finland and explores the avenues for ecological entrepreneurship.

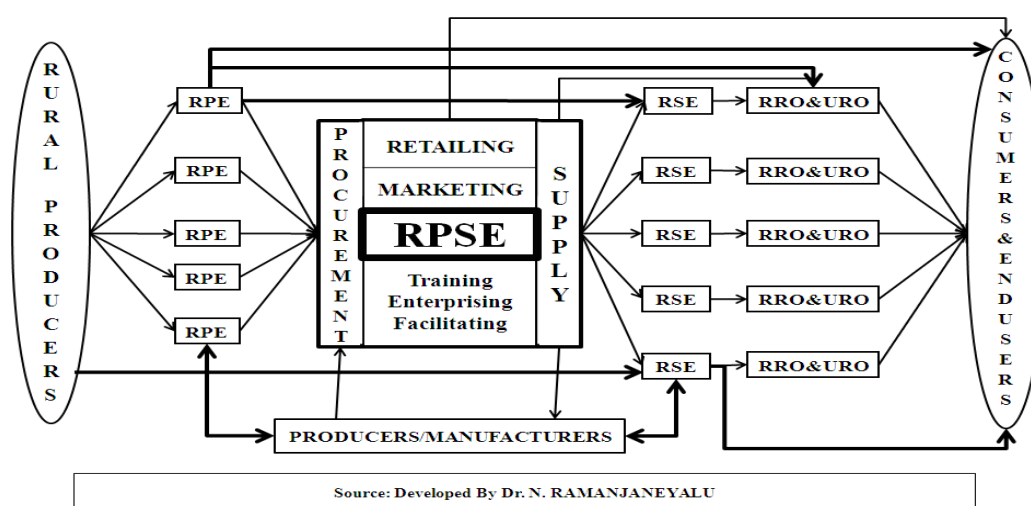
Chowdhury (1987) described the emerging pattern of seasonality in food grain price variation and procurement policies in Bangladesh during 1970s and 1980s. This study will link rural procurement and rural entrepreneurship development but highlights the how seasonal procurement prices influenced farmer's income level.

Ozgen and Minsky (2007) looked into poverty report of world bank published in 2001, how poverty exists in developing countries and tried to give solution of rural poverty through effective policy implications of rural entrepreneurship development programmes. It identifies the key opportunities in rural area for entrepreneurship development then specify the entrepreneurship model which accounts intellectuals, youths, physical and natural resources. This was a generalized model for all developing countries and later it can be modified to different nation's need. Moreover, this paper is important as how to use RPSE model in our study.

The Hub and Spoke model is widely used for enterprise resource planning and in this study we incorporate this model for rural entrepreneurship, supply chain management and procurement process. This model facilitates easily integrate business process and help smooth enterprise operation and in return it is cost effective and efficient. The success of rural entrepreneurship model through efficient procurement and good supply chain management depends upon the efficient leadership, in time finance, coordinated operation, creative marketing and latest suitable technology. These parameters are observed in Rural Procurement and Supply Enterprise Model (RPSEM).

RPSE helps in various aspects. They are-

- Rural procurement and supply enterprise (RPSE) model aims to develop rural educated unemployed youth into home-grown entrepreneurs, generating work opportunities for rural youth and reducing the intermediary threat. Farmers and consumers are getting a good price.
- Rural procurement and supply enterprise (RPSE) acts as rural hubs for the procurement of agro-producing products and directly supplies to retailers or end users in rural and urban areas.
- Local sourcing development – Local procurement is crucial to RPSE's success. It will allow good use of resources and create work opportunities for rural unemployed youth.
- Reducing costs and tempering inflation – RPSE will bring down commodity prices and reduce food inflation. Stronger proposition to the market interest. From the customer's point of view, opening up organized retailing makes a strong sense, so customers get value for money. Direct acquisition of agro-products by RPSE from farmers will not only lead farmers to realize a better share of consumer spending, but will also reduce consumers' costs.
- Rural procurement and supply outlets (RPSE) model generates value creation for retail outlets by scientific handling, storage, packaging, and grading of agricultural commodities. It will help the retailers and farmers and customers get better prices (win-win situation) and primarily help to minimize post-harvest losses and transportation costs for farmers. Post-harvest losses are greater in agricultural commodities due to conventional methods of handling, transportation, and packaging procedure. Because of ignorance of grading the farmers get low profits; intermediaries take advantage of this. With proper grading and packaging, retailers can sell the agro-products there at a better price, thus assuring farmers better prices for the procurement.



Research Methodology

To understand the challenges in implantation and working of RPSE model, three focus group discussions were conducted in the Kaladagi village which is 23kms from Bagalkot and transcription of the same was written.

Obstacles for successful implementation of RPSE model

The supply agriculture products procurement and chain management in rural area is not a new concept or issue, it was introduced long back in various countries as well as in India. But it was systematically organized and executed by private enterprises after economic reforms during 1990s in India. The RPSE model is one of the best 'Hub and Spoke' model which has faced many socio-economic and structural economic problems for effective implementation. These major obstacles are summarized in different context and, are as follows.

a. Illiteracy and lack of awareness

From the focus group discussion, we get to know that lack of basic education is the biggest problem among members. The education level of any region can give new direction of enlightenment but in our study area still majority of households are illiterate and not having basic education. The level of education of parents of respondents were less. When they are not educated, they may not give the proper orientation to their children. The entrepreneurship may not require much of formal education, but it needs basic education with awareness and knack for starting business and execution. In the study, majority of the respondent's parents are less educated and lack of awareness regarding entrepreneurship development and various programmes sponsored by the government. Majority of the respondents do not have technical education like diploma or engineering, etc.

b. Lack of trust and unity among the members.

From the FGD, we get to know that during the inception of RPSE many people many of the youths never wish to contribute the membership fees as they didn't have the trust on the other members. Farmers never share with the other farmers that the new things they adopted in the farming or any new strategies they have adopted in marketing their produce, etc. It was said that even though innovative farmer shares his thoughts with other farmers, they will see that farmer in suspicious way as he if he is misguiding them. So, getting the confidence of these members and forming the association was very difficult.

c. No exposure to the industry/business

It was discussed during the FGD that when the thought of starting up this association raised, many of the members were in fear that how this association would take off. Because many of the members of the association did not have any industrial experience. Moreover, none of the members had an idea of functioning of this association. They had faced the problems like how to register this association, whom to approach for getting the benefits from government, how to maintain and monitor the books of accounts, from whom to procure the agri-inputs, etc. If at least few of the members had the business exposure, they could have got the better results at the beginning itself.

d. Lack of financial support

It was opined by respondents during FGD that, lack of financial support they are not able to diversify the activities of the association. Even they said that during the inception of the business, it was very difficult to convince the rural youths to invest their money. Because some people do cheat, they took their money and

absconded. Even the association don't have sufficient funds to have its own building. Even though association is running in profit through Agri-input business, it is not possible for the association to provide various other services like warehouse or cold storage facilities, etc. Association (RPSE) cannot take loan from banks or money lenders by paying higher rate of interest to adopt new technology or for having its own warehouse or cold storage facility. Even they cannot force the members to give additional capital for getting these services.

e. Socio-economic problems

During the FGD, respondents have expressed their opinion that there are socio-economic problems like the members of small holders will be given less preference at the time of taking managerial decisions. India is bound by various cultural and ritual diversity which are social causes and effects on business and entrepreneurship environment. Large land holders dominate the small landholders at the time of getting the service from association when they need services simultaneously.

f. Lack of skills and training

Respondents express their opinion in FGD that, even though youth members have educational qualification, they don't have good soft skills like negotiating with suppliers and buyers of the association, managing accounts. It was said that the youths those who are graduated in commerce had learnt the subjects like accountancy, marketing, etc. But they don't have practical experience and exposure to the prevailing business environment. So, such skills can be developed among the youths by providing on the job training. They took the instance that youths were not able to identify the various buyers for their produce even though the association had lot of opportunities to market their Pomegranate produce in Kerala state as there is huge demand. But lack of expertise and shyness among the youths, it was not possible for them to reach their target.

g. Less control in maintaining quality

It has been opined that most of the time farmers mixes the good quality produce with the poor-quality produce. One of the respondents shared the instance that when the association (RPSE) had made an agreement with the vendor in Banglore, most of the farmers supplied their Sapota of good quality by mixing it with poor quality. Because they were getting was Rs,30/Kg more than the local market. In hurry of making the profit they supplied the poor-quality produce. That made the association to spoil its reputation and that vendor stops buying the produce from the association. Maintaining the quality in agriculture produce is very difficult. The only solution to overcome from this problem is proper grading has to be done by RPSE.

h. Absence of standards

i. Lack of standards is one of the major problems in effective implementation of RPSE. During FGD, one of the respondents opined that as like other products like durables, there is no such standards in Agri-produces. Because of this, pricing of the Agri produces is very difficult. When there is uniformity in the produces, they can do proper grading and branding for their produce. Even they can fix the standard prices for the produce. The farmers are not aware of the standards which are required by the customers. Just they

produce without understanding the needs and sell the same at the lower price. So, maintaining the standards is the issue in implementation of RPSE.

j. Lack of product innovations

It was said that farmers are not connected with the market and they don't know the needs of the consumers. One of the respondents shared the instance that there is huge demand for the organic jaggery in the market. But farmers are not the sugarcane which is an input for the production of the organic jaggery. Just they supply the sugarcane to the sugar factories at lesser price. Another respondent shared the opinion that there is demand from food retail stores for the supply of sweet corns which is of shorter duration crop. But farmers are not awarded of such information. Still they are following the traditional methods without concentrating on product innovations.

k. Small volume for transactions

It was opined during the FGD that, all the farmers will not get the produce at the same time. If the farmers wish to sell the produce through RPSE, he has to wait for the few of the farmers to supply it the market. Because the quantity of the small farmers would be less, so has to wait till other farmers wish to supply. Even it is not affordable for association (RPSE) to supply the produce of small farmer alone by paying huge transportation cost. So, under such circumstance's farmers will sell their produce in local market if the produce is perishable like fruits, vegetables at the lesser price.

l. Difficulty in marketing the produce

It was opined that the main purpose of the association is providing the agri-inputs to the farmers at lower price and creating good platform for the farmers to sell their produce in different markets at competitive prices. He further said that RPSE is doing really good profit by providing the agri-input but they are failing to reach new markets due to lack of awareness and bargaining skills.

m. Logistics & Transportation problems

Respondents expressed opinion that problem of transportation is also one of the threats that farmers are facing. For small land holders it is very difficult for them to supply their produce to the market. They will be having their produce in lesser quantity. If they want to sell them individually, they have to incur the same cost as the large land holders pay to supply to the market. To avoid this, many farmers will sell their produce to the local buyers or to the vendors at cheaper price than the market price and end up with loss.

n. Storage problems

From the FGD we get to know that the association (RPSE) don't have its own storage facility. There is one more important step during process between procurement and supply, that is storage which includes warehousing, packing and inventory. The warehousing facility in the study area is not suitable and packaging expertise is moderate level and inventory facility is very poor to manage agriculture goods especially market period products (i.e. less durable). If the association has its own cold storage facility, they could have stored the fruits or vegetables till they get the better price for the produce. It is difficult for individual to have their

own cold storage as it would be costlier. It is said by participant that association (RPSE) is willing to have its own cold storage facility so that they can give service to its members. It was said that even the same case is there with other grains too. They can store the grains if they have the warehouse facility from the association. So, lack of this facility association (RPSE) is not able to function effectively.

o. Low update of modern technology

During the FGD, respondents opined that they are lacking in make use of the available technology. It was said that due to lack of awareness about the latest technology and lack of innovations it is not possible for them to adopt new technology. One of the respondents shared an instance of where the youths use the mobile phones for using the Facebook and WhatsApp. If the same would have been effectively used for the development of the association by marketing their produce. The youths can create Facebook page in the name of association and post the various produces available along with the price and quality. This helps the buyers to get the information and they can contact the association easily.

p. Political problems

It been opined during that many of the political leaders to break the unity of the association. Even during the protest against governments whenever there are agriculture related problems, they break the unity of the farmers by giving bribes, etc. Even politicians never wish the farmers to get united. It is been opined that politician divide the farmers on the basis of their caste, religion and the political parties they belong to. Even it was said that many of the retailers of fertilizers are providing the funds to these political leaders during the elections. So, they put the pressure on the association not to take the developmental activities which largely helps to the farmers.

q. Lack of government support

It was opined during the FGD that the government is not supporting the farmers in the way as they are supporting the industries. Government has supported the association by giving the Rs,100,00,000 as an initial capital to the organisation (RPSE) and given the subsidy to RPSE for the purchase of Agri equipment like Tractors, etc. From the accounting year 2019-2020, government gave a tax exemption to the farmers producers organizations (RPSE). But these are not enough to make the organization to function effectively.

Small farmers cannot store their produce till they get better price due to lack of storage facilities. Small landholders can't have their own warehouses as it would cost more to them. Even as an association it is difficult for the association to have their own storage facilities by investing huge amount on construction of the warehouse or cold storage. It is said that government should provide the funds to the association for construction of warehouses, cold storage houses and should provide other infrastructure facilities to the association to function RPSE effectively.

Suggestions

- RPSE should join its hands with the entrepreneurial training institutes like CEDOK and other institutes like Deshpande Foundation which are engaged in entrepreneurship development through various programme to have more group building experiences and activities to overcome from lack of expertise and skills to work in group and lack of trust among the members.
- There are 93 registered RPSE's which are functioning in Karnataka. RPSE should take its members to visit the RPSE's which are running successfully and which are functioning on the same principles. The interaction with the successful RPSE members will build confidence and helps them to overcome from the lack of exposure to the industry/business.
- Governments should help the RPSE's by providing the financial assistance through State Financial Corporations or any such government bodies which are providing the financial assistance to industries. Even government can help RPSE's by providing the interest free loans to help the RPSE's to have better infrastructure.
- RPSE's should provide the advance to its members at lower rate of interest and should provide the credit facility at the time of selling of inputs to its members. This reduces the dependency on local money lenders and the middlemen by the farmers.
- RPSE members should get trained under the various government sponsored skill development schemes like DeenDayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY), Chief minister's Kaushalya Yojana, etc to enhance their technical and other soft skills. This will help the members to overcome from the problem of lack of skills and training.
- RPSE should maintain proper grading of the agri produces. Even members should not supply the produce of good quality produce by mixing it with poor quality. The RPSE should adopt strict grading facility to meet the expectation of the vendors too. This help to overcome from the problem of lack control in maintaining quality.
- RPSE should sell the best quality agri-inputs like seeds and fertilizers of trusted brands to its members. Even RPSE should give timely advice by the experts to its members by conducting meetings regularly. This helps to overcome from the problem of absence of standards in agri produces.
- RPSE has to give proper guidance and facilitate its members to go for innovative practices in agriculture production like organic farming, processing, etc. and promote for value addition. This helps the members to overcome from the problem of lack of product innovations.
- RPSE should develop network with other RPSE's to conduct conference, workshops and other training activities. RPSE can invite the similar RPSE's which are having similar activities in other regions with different agri-produces and take their help to create market for their produce in different regions.
- It was found that RPSE is facing the difficulty in finding the market for the produce. The members of the RPSE has to be trained in the specialized trainings in exporting and should take initiation in

exporting the produce of association (RPSE). This helps the RPSE members to get the new market for their produce.

- RPSE should receive information from the experts on the basis of market demand and decide on the crops that farmers need to grow. RPSE has to negotiate with the farmer and experts on the basis of market demand in advance of growing agricultural produce.
- The RPSE should collect the information of the crops grown by the members and should fix the price for the produce based on calculating the cost of production plus certain percentage of profit before 2 months from the time of harvesting.
- Small- and large-scale outlets has to be set up by the association to sell farm produce locally. This will reduce the dependency on the middlemen by the farmers. This helps the customers to get the products at lower price and RPSE can make better profit.
- Government should construct Cold storage / common warehouse systems for agricultural produce. Ownership and monitoring of them should be given to RPSE (associations). This helps the farmers to store their produce till they get fair price for their produce. Even association can procure and accumulate the small quantity produces of marginal and small landholders and can supply in large quantity. This reduces the cost of transportation. This help the RPSE to overcome from the problem of transportation and storage of agri produces.
- The RPSE should have its website and mobile app service that enables consumers to order and purchase agricultural products online. This helps the farmers for delivering agricultural products directly from farmers to consumers / buyers.
- It is found that the lack of awareness and orientation about entrepreneurship opportunities among rural youths is the barrier to take up entrepreneurial activities in rural area. Educational institutions like universities and colleges have to adopt the village and to create the entrepreneurship awareness and orient towards entrepreneurial activities through skill development training sessions in coordination with other supporting agencies. This helps to create the awareness about the entrepreneurship and motivates the youths to undertake the entrepreneurship as an occupation in the rural area.

Conclusion

RPSE helps the farmer to reduce the cost of production of agriculture commodities and create the local market for their produce. The success of the RPSE depends on the effective performance of the RPE's and RSE's. The study tried to understand the problems in implementation of working of RPSE. The farmers are facing lot of problems like poor infrastructure, lack of self-esteem and coordination among the members of RPSE. Governments should help RPSE's by providing better infrastructure facilities like warehouses, cold storage facilities, good road connectivity to villages, etc. Governments have to provide the financial assistance to the RPSE's for the buying the agri- equipment and other requirements of RPSE. It motivates the young minds to undertake the entrepreneurship in rural area. Successful implementation of RPSE is solution for the societal

problems like poverty, unemployment and problems of farmers, etc with the help of entrepreneurship in the rural area.

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