
Entrepreneurship in Rural Industry: Key Prospects & Challenges

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Abstract

The liberalization of the economy in the 1990s has enabled a vast amount of people to become entrepreneurs. Dynamic entrepreneurs look for growth; they do not have only a vision but are also capable of making it happen. Economic vitality of a country largely depends on the overall level of entrepreneurial capacity, i.e. on its ability to create rapidly growing companies.

Entrepreneurship can be defined as: "a force that mobilizes other resources to meet the unmet market demand"; "the ability to create and build something from practically nothing"; and "the process of creating value by pulling together a unique package of resources to exploit an opportunity". The entrepreneurial orientation to rural development accepts entrepreneurship as the central force of economic growth and development. "Youths in the rural areas have little options", this is what they are given to believe. This is the reason that many of them either work at farm or migrate to urban land. The need is to plant other options in the minds of rural youth. Entrepreneurship could be the best option. If planted and nurtured in the minds of rural women and youth, it could result in revolutionizing the Indian economy.

"Entrepreneurship is the transformation of an idea into an opportunity". It is the "Essential agent of change who accelerates the generation, application and spread of innovative ideas and in doing so not only ensure efficient use of resources but also expand the boundaries' of economic activity." This paper deals with the following two issues: firstly, it sets out the various opportunities and prospects and challenges in the field of rural entrepreneurship development, secondly, it deals with what policies are necessary in order to create an environment in rural areas conducive to entrepreneurship.[1][2]

Keywords: Entrepreneurship, Strategic Intervention, Rural Development & Policies, KPO.

Introduction: Entrepreneurship is the practice of starting new organizations or revitalizing mature organizations, particularly new businesses generally in response to identified opportunities. Entrepreneurship is often a difficult undertaking, as a vast majority of new businesses fail. Entrepreneurial activities are substantially different depending on the type of organization that is being started.

Entrepreneurship pertains to any new organization of productive factors and not exclusively to innovations that are on the technological or organizational cutting edge, it pertains to entrepreneurial activities both within and outside the organization. Entrepreneurship need not involve anything new from a global or even national perspective, but rather the adoption of new forms of business organizations, new technologies and new enterprises producing goods not previously available at a location (Petrin, 1991). This is why entrepreneurship is considered to be a prime mover in development and why nations, regions and communities that actively promote entrepreneurship development, demonstrate much higher growth rates and consequently higher levels of development than nations, regions and communities

whose institutions, politics and culture hinder entrepreneurship.

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. Furthermore, institutions and individuals seem to agree on the urgent need to promote rural enterprises: development agencies see rural entrepreneurship as an enormous employment potential; politicians see it as the key strategy to prevent rural unrest; farmers see it as an instrument for improving farm earnings; and women see it as an employment possibility near their homes which provides autonomy, independence and a reduced need for social support. To all these groups, however, entrepreneurship stands as a vehicle to improve the quality of life for individuals, families and communities and to sustain a healthy economy and environment.

Need for Entrepreneurship: The need for entrepreneurship for developing industries in the rural areas is as follows:

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- a) Rural industries being labor intensive have high potential in employment generation.
- b) By providing employment, these industries have also high potential for income generation in the rural areas. These, help in reducing disparities in income between rural and urban areas.
- c) These industries encourage dispersal of economic activities in the rural areas and, thus promote balanced regional development.
- d) Developing of industries in the rural areas also helps build up village republics.
- e) Rural industries also help protect and promote the art and creativity, i.e. the age-old rich heritage of the country.
- f) Rural industrialization fosters economic development in rural areas.
- g) Last but no means the least, rural industries being environment friendly lead to development without destruction.

The Role of the Entrepreneur in the Economy: Dynamic entrepreneurs look for growth; they do not have only a vision but are also capable of making it happen.

They challenge competitors instead of avoiding them and take and share risks in a way that leads to success. In this way economic vitality of a country largely depends on the overall level of entrepreneurial capacity, i.e. on its ability to create rapidly growing companies.

3.1 Entrepreneurs are Innovators:

- a) They observe an opportunity.
- b) They create new goods and services.
- c) They improve existing products.

3.2 Entrepreneurs Provide Choice:

- a) They add goods and services to the market place.
- b) They offer variety.
- c) They design different approaches to familiar problems.

3.3 Entrepreneurs Provide Jobs:

- a) They hire workers for their businesses.
- b) They consume resources, thus providing jobs in the industries that supply those resources.
- c) However, the acceptance of entrepreneurship as a central development force by itself will not lead to rural development and the advancement of rural enterprises. What is needed in addition is an environment enabling entrepreneurship in rural areas. The existence of such an environment largely

depends on policies promoting rural entrepreneurship.

- d) The small-scale industry sectors play a crucial role in Indian economy providing more than 80 per cent of the employment opportunities
- e) The state should gear up to include special policies and formulate specific targets for the industrial sectors' contribution in employment generation
- f) Adequate technical and managerial support needs to be provided for the survival of enterprises that are utilizing the local resources. Strengthening of the micro enterprises not only help in economic growth, it also contributes the proper utilization of the local resources.
- g) Through the promotion of cottage industries, not only the rural people can earn their livelihood, it also can give them a sense of satisfaction

Advantages of Entrepreneurship: Every successful entrepreneur brings about benefits not only for himself/herself but for the municipality, region or country as a whole. The benefits that can be derived from entrepreneurial activities are as follows:

- a) Enormous personal financial gain
- b) Self-employment, offering more job satisfaction and flexibility of the work force
- c) Employment for others, often in better jobs
- d) Development of more industries, especially in rural areas or regions disadvantaged by economic changes, for example due to globalization effects
- e) Encouragement of the processing of local materials into finished goods for domestic consumption as well as for export
- f) Income generation and increased economic growth
- g) Healthy competition thus encourages higher quality products
- h) More goods and services available
- i) Development of new markets
- j) Promotion of the use of modern technology in small-scale manufacturing to enhance higher productivity
- k) Encouragement of more researches/ studies and development of modern machines and equipment for domestic consumption
- l) Development of entrepreneurial qualities and attitudes among potential entrepreneurs to bring about significant changes in the rural areas
- m) Freedom from the dependency on the jobs offered

by others

- n) The ability to have great accomplishments
- o) Reduction of the informal economy

The Development of Entrepreneurship in Rural Areas:

The development of entrepreneurship can be a major means of fighting economic inertia in rural areas that are located far from the main industrial center of a country. The notion of “rural entrepreneurship” is not limited to agriculture and related activities such as food processing, but rather it covers industrial development in general. In addition, the concept is not restricted to villages but also pertains to small towns and surrounding areas. Promoting, encouraging, and supporting rural entrepreneurship should be a coordinated effort undertaken by the central government, municipality governments, and nongovernmental organizations.

Such endeavors should (1) Increase the number of enterprises and small businesses; (2) increase the volume of employment; (3) consolidate and expand already existing businesses; and (4) attract investment. It is inevitable that supporting rural entrepreneurship requires considerable financial resources and substantial investment at the beginning of the development process. However, it is reasonable to expect that those investments will generate positive economic results as early as in the medium term. An increase in the number of enterprises and in the employment rate will spur demand, and local government will benefit from the increased tax base. These outcomes are relatively easy to measure. But there will also be indirect advantages, such as setting positive examples for the local business community, spreading good work practices, diffusing entrepreneurial values, improving the economic activity of the community, and creating the bottom-up support for further improvements and development.

Opportunities & Challenges of Rural Entrepreneurship: The opportunities can be explored in almost all sectors of economy be it is agriculture & allied activities, manufacturing or service. These are the most important factors for developing rural entrepreneurship:

- a) Food Processing
- b) Leather Products
- c) Horticulture
- d) Floriculture
- e) Sericulture
- f) Dairy
- g) Handloom / Power loom
- h) Readymade garments

- i) Data Entry / Printing
- j) Handicraft
- k) Repair Service Centers
- l) Oil Mills
- m) Jute Products and many more.

All the above prospects depend on the availability of the basic raw materials & other resources required to start with entrepreneurial venture.

Challenges to Rural Entrepreneurship:

- a) Majority of the poor in society live in the rural areas
- b) Self-employment as a better option for sustainability, women in particular
- c) Rural women lack entrepreneurship skills
- d) High levels of illiteracy among rural women
- e) Rural women lack access to information and market
- f) Inadequate flow of credit
- g) Poor quality standards
- h) Inadequate infrastructural facilities

Scope for Rural Entrepreneurship:

KPO or Knowledge Process Outsourcing: Knowledge process can be defined as high added value processes chain where the achievement of objectives is highly dependent on the skills, domain knowledge and experience of the people carrying out the activity.

There are various segments of KPO which are on the rise in India. The American doctors send scanned copies of reports to their counterparts in India and medical consultation is done. The other backend services like Payroll and Human Resource Management are already in place.

LPO – The current Outsourcing Boom: The Law Firms in United States have finally started delegating the drafting and the other paper work to their subsidiaries in India.

What is also an icing on the cake is the fact that the rising economic crunch is sending new workload offshore, whereas since India has a huge number of lawyers graduating every year, and since India performs its legal proceedings in English, and also Indian Legal System is crudely based on the British Laws, the Indian Lawyers are almost instantly employable for the LPO jobs.

Following are the Advantages of Rural Industrial Projects:

- a) Tax holidays and other tax advantages given to rural projects.

- b) Abundance of cheap labour.
- c) Advantage of local and regional resources in case the unit uses them as a raw material.
- d) Prestige and respect among the local community.
- e) Live example for local youth for taking up entrepreneurial project
- f) Support and motivation from local people.
- g) Competitive advantage over the big business due to the proximity to the raw material and labour.
- h) Employment generation for local people.

Policies Supporting Entrepreneurship Development:

Financial Support through Micro Finance:

There are number of micro finance option available in our country to help entrepreneurs to start their business. Some of the financial institutions working actively in India are:

- a) Syndicate Bank
- b) NABARD
- c) United Bank of India
- d) State Bank of India

National Science & Technology Entrepreneurship Development Board (NSTEDB):

To achieve the goal various programmes are organized as follows:-

- a) Entrepreneurship Development Programme (EDP)
- b) Skill Development Programme (SDP)
- c) Rural Entrepreneurship Development Programme (REDP)
- d) Entrepreneurship Awareness Camps (EAC)
- e) Entrepreneurship Motivation Camps (EMC)

NGOs Support in India: There are many NGOs in our country which are exclusively working for rural development and related activities.

For example:

Hindustan Lever (Unilever's business in India) has contributed a lot as far as the development of rural entrepreneurs concern in India:

30 000 **Shakti** entrepreneurs reach 100 000 villages.

To expand its markets, the challenge for Hindustan Lever (Unilever's business in India) was how to reach millions of potential consumers in small remote villages where there is no retail distribution network, no advertising coverage, and poor roads and transport. The solution was Project Shakti, launched in 2000 in partnership with

nongovernmental organizations, banks and government. Women in self-help groups across India are invited to become direct-to-consumer sales distributors for Hindustan Lever's soaps and shampoos. The company provides training in selling, commercial knowledge and bookkeeping to help them become micro-entrepreneurs.

It is important to stress that rural entrepreneurship in its substance does not differ from entrepreneurship in urban areas. Entrepreneurship in rural areas is finding a unique blend of resources, either inside or outside of agriculture. This can be achieved by widening the base of a farm business to include all the non-agricultural uses that available resources can be put to or through any major changes in land use or level of production other than those related solely to agriculture.

From the policy viewpoint, the promotion of entrepreneurship, the understanding where entrepreneurship comes from is as equally important as understanding the concept of entrepreneurship. It indicates where the governments, national, regional or local, should target their promotional efforts. If entrepreneurial skills, for example, are innate, active promotion policies have a small role to play.

Behind each of the success stories of rural entrepreneurship there is usually some sort of institutional support. Besides individual or group entrepreneurial initiative the enabling environment supporting these initiatives is of utmost importance.

Entrepreneurship in rural areas can benefit a lot from the so called strategic development alliances, i.e., partnership among governments or non-profit seeking organizations, universities and the private sector.

To summaries, policy implications for rural entrepreneurship development are:

- Sound national economic policy with respect to agriculture, including recognition of the vital contribution of entrepreneurship to rural economic development;
- Policies and special programmes for the development and channeling of entrepreneurial talent;
- Entrepreneurial thinking about rural development, not only by farmers but also by everyone and every rural development organization; and
- Institutions supporting the development of rural entrepreneurship as well as strategic development alliances.

Conclusion: Rural Entrepreneurship symbolizes rural industrialization. Rural industrialization provide the best solution to tackle with the twin problems of

unemployment and poverty in the rural areas in the country that is why Government of India has been assigning increasing importance to the development of rural industrialization or entrepreneurship in its subsequent five years plan. Promoting rural entrepreneurship will help bridge the gap between urban and rural areas. It will also discourage mass migration of people from rural to urban areas.

Furthermore, it will improve the conditions of rural women by building their capacity to generate more income for themselves, family and community. The aim is to see that rural women are empowered from a survival enterprise to a micro level enterprise or small-scale entrepreneurship. Unless our rural women entrepreneurs utilize their indigenous knowledge and skills to make their products competitive in the markets; and continuously make efforts to innovate and improve the quality of the products, it will be difficult to sustain them.

Economic development in general requires more than just a proper macroeconomic environment. In addition it demands institutional framework conducive to economic development, practical mechanisms for risk taking and risk sharing in the early and most uncertain stages of entrepreneurial ventures and an organizational system conducive to growing new and existing businesses. It takes cross-institutional networking. The role of public policy is therefore to continually find ways to implement critical success factors of economic development. Economic development of rural areas cannot be an exception in this respect.

The experiences in partnership and institution building presented in this paper lead to the following policy recommendation: Community leadership, in order to accelerate rural development, must continuously seek new innovative approaches to economic development and must promote proper institution building and partnership in view of those mechanisms that communities could use to leverage resources in order to help potential entrepreneurs and existing companies to grow, as well as to create more choices for entrepreneurs.

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