

## **ROLE OF ENTREPRENEURSHIP IN DEVELOPMENT OF RURAL SECTOR IN INDIA**

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### **ABSTRACT**

The majority of the population in India lives in villages. The village is the back bone of the country. Village or rural industries play an important role in the national economy, particularly in the rural development. Rural entrepreneurship is not only important as a means of generating employment opportunities in the rural areas with low capital cost and raising the real income of the people, but also its contribution to the development of agriculture and urban industries. Rural entrepreneurship can be considered one of the solutions to reduce poverty, migration, economic disparity, unemployment and develop rural areas and backward regions.

**Keywords:** Performance, Problems, Rural Industries, Rural Entrepreneurs, Rural Development.

### **Introduction**

“India lives in its villages”- Mahatma Gandhi. The majority of the population in India lives in villages. The economic development of our country largely depends on the progress of rural areas and the standard of living of rural masses. Village or rural industries play an important role in the national economy, particularly in the rural development. 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 markets, new products and generate employment opportunities thereby ensuring continuous rural development. 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 develop rural areas and backward regions. According to Khadi and Village Industries Commission (KVIC), “Village industry or rural industry means any industry located in rural areas, the population of which does not exceed 10,000 or such other figure which produces any goods or renders any services with or without the use of power and in which the fixed capital investment per head of an artisan or a worker does not exceed thousand rupees”. The definition of village industry has been recently modified by the Government of India so as to enlarge its scope. According to Government of India, “Any industry located in rural areas, village or town with a population of 20,000 and below and an investment of 3 crores in plant and machinery is classified as a village industry”.

### **OBJECTIVES :**

For the purpose of the study have been set the following objectives:

1. To know the various types of rural entrepreneurship.
2. To analyze the performance of rural industries.
3. To know the importance of rural entrepreneurship.
4. To study the problems of rural entrepreneurship.

### **METHODOLOGY:**

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

### **TYPES OF RURAL ENTREPRENEURSHIP**

Rural industry or village industry can be broadly classified into the following categories:

#### **a) Agro Based Enterprises**

This category includes direct sale or processing of agro products such as jiggery, pickles, sugar industries, oil processing from oil seeds, dairy products, fruit juice, spices etc.

#### **b) Forest Based Industries**

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

**c) Mineral Based Industry**

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

**d) Textile Industry**

These include weaving, colouring, spinning and bleaching.

**e) Handicrafts**

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

**f) Engineering and services**

These include agricultural equipments, tractors and pump sets, repairs etc.

**Performance of Village or 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 village or rural industries**

<b>Year</b>	<b>Production (Rs. In Crores)</b>	<b>Sales (Rs. In Crores)</b>	<b>Cumulative Employment (in lakh persons)</b>
1997-98	3895.21	4319.38	42.49
2001-02	7140.52	8383.49	54.16
2003-04	9263.98	11000	62.57
2006-07	13527.19	18888.21	80.08
2007-08	16134.32	20819.09	90.11
2008-09	16753.62	21948.59	94.41
2009-10	17508	23254.53	98.72
2010-11	19198.85	24875.73	98.72
2011-12	21135.06	25829.26	103.65
2012-13	17448.3	20320.73	111.04
2013-14	19357.03	21452.87	119.41
2014-15	21698.71	25749.31	123.75
2015-16	23759.24	27157.49	127.83
2016-17	24015.25	31417.04	132.72
2017-18	19394.25	22463.09	113.52

Source: Annual Reports of MSME, Govt of India.

The above table reveals the performance of village or rural industries in respect of production, sales and employment in India from 1997-98 to 2016-17. The village industry production was worth Rs 3895.21 crore in 1997-98 which increased to Rs 24015.25 crore in 2016-17. It declined to Rs 19394 crore in 2017-18 due to demonetization effect. The decline in the production of village industry can be attributed to decrease in the funds released as a part of budgetary support. Similar trends are also observed in sales of village industries, as it depends on production, market and tastes of the consumers. The total cumulative employment in the village industry increased from 42.49 lakh persons in 1997-98 to 132.72 lakh persons in 2016-17 but it decline in 2017-18 due to demonetization effect.

### **Significance of Rural entrepreneurship**

The importance of rural entrepreneurship is briefly highlighted as follows:

#### **i. Provides employment opportunities**

Rural entrepreneurship is labour intensive and creates large scale employment opportunities for the rural people. Rural entrepreneurship provides a clear solution to the growing problem of large-scale unemployment and underemployment of rural India.

#### **ii. Check on migration of rural population**

Rural population moves towards urban for various reasons like income generation, searching good job, utilize various facilities etc. Rural entrepreneurship will bring in or develop infrastructural facilities like roads, power, bridges etc. It reduces the gaps and disparities in income between rural and urban areas. Rural entrepreneurship can avoid the migration of people from rural to urban areas in search of jobs.

#### **iii. Balanced regional development**

Rural entrepreneurship controls the concentration of industry in urban areas and thereby promotes balanced regional development in the economy.

#### **iv. Promotion of artistic activities**

Rural industries also help protect and promote the art and handicrafts, i.e. the age-old rich heritage of the country.

**v. Check on social evils**

The growth of rural entrepreneurship reduces the social evils like poverty, social tensions, atmospheric pollution, the growth of slums and ignorance of inhabitants etc.

**vi. Awaken the rural youth**

Rural entrepreneurship encourages young and promising entrepreneurs to develop and carry out entrepreneurial activities in the rural sector.

**vii. Improves standard of living**

Rural entrepreneurship will also increase the literacy rate of rural people. Their education and self-employment will prosper the community, thus improving their standard of living.

**viii. Proper utilisation of local resources**

Rural industries help in the maximum utilisation of local resources like raw materials and labour for productive purposes and thus increase productivity. Efficient and effective use of limited resources by the entrepreneurs leads to overall economic development of an area.

**ix. Earnings of foreign exchange**

Rural entrepreneurship plays significant role in increasing the foreign exchange earnings of the country through export of their produce.

**x. Improvement in per capita income**

Rural entrepreneurship generates more output, employment and wealth by exploiting new opportunities, thereby helping to improve the per capita income of rural people.

**xi. Produces goods of consumers' choice**

Rural industries including cottage and village industries produce goods of individual consumers' taste and preferences, jewellery, sarees, artistic products are produced to cater to the needs of different consumer according to their taste, preferences and design.

**Problems of Rural entrepreneurship**

Developing entrepreneurship especially rural entrepreneurship is not so easy. It is constrained by several problems. Some of the problems faced by rural entrepreneurs are as follows:

**a. Lack of finance**

Finance is the lifeblood of the business. Most of the rural entrepreneurs are mainly struggling to raise the finance for their businesses. Non availability of adequate collateral security often

mars the chances of rural youth in obtaining adequate funds in time to set up their own venture. Due to this, the entrepreneurs are forced to take credit from village money lenders who charge exorbitant rates of interest.

**b. Lack of knowledge**

There is a distinct lack of adequate knowledge of entrepreneurial opportunities among the rural youth. The educated and trained youths mostly leave for urban destinations in search of jobs.

**c. Lack of technical know-how**

On account of the faulty education system rural youth lack managerial, professional, technical know-how which is an impediment in developing the spirit of enterprise, consequently not many people come forward to establish self-employment units.

**d. Absence of enterprising skill**

Most of the rural people in India lack risk bearing ability. Reluctant to involve oneself in business, inclination towards wage employment, lack of creative thinking are few reasons which have restricted the growth of self-employment in rural area.

**e. Lack of infrastructural facilities**

Rural areas are characterized by poor infrastructural facilities viz, roads, water, market, electricity, street lighting, road transport, storage and communication etc. which hamper the smooth movement of various industrial activities.

**f. Adverse social, cultural and industrial environment**

Social evils, caste systems, fatalism, religious superstitions, particularly in the country side, do not allow development of adventurous spirit. Lack of skill and expertise in labourers, their tendency to migrate to cities and consumer's habit to buy goods produced by big companies create many problems for new entrepreneurs.

**g. Lack of market information due to poor communication facility**

The absence of effective communication and access to the right information makes it difficult for rural entrepreneurs to understand market trends and policies followed by the government on industrialization.

**h. Non availability of skilled labours**

In rural areas, skilled labours cannot be found easily by the entrepreneurs. Highly skilled personnel prefer to work in big cities due to high salary than rural areas.

**i. Low quality products**

Nowadays, the consumers are more sensitive to the quality of the products. But, rural entrepreneurs cannot produce quality products due to poor quality of raw materials and lack of standardized tools and equipments.

**j. Fear to invest in the business**

Rural entrepreneurs have low risk bearing ability due to lack of financial resources and external support. So, they restrict to invest in their businesses in rural areas.

**k. Competition**

Rural entrepreneurs are facing tough competition from urban entrepreneurs and larger scale organizations. They cannot compete with the urban entrepreneurs due to lack of standardization and branding of the products.

**l. Middleman**

Rural entrepreneurs mainly depend on middlemen for marketing their products. But they betrayed by offering low prices to their goods.

**SUGGESTIONS**

In the light of the above problems, the following suggestions can be put forth to develop the rural entrepreneurs:

1. Separate financial assistance for rural entrepreneurs should be provided by the Government.
2. Rural entrepreneurs should be provided adequate and timely financial assistance from all the financial institutions and banks.
3. Special training programmes for rural entrepreneurs should be arranged by the Government to improve their knowledge and skill.
4. The rural educated youth should come forward in the field of entrepreneurship.

5. Modernisation of their technology is very much essential. Sufficient finance must be given to modernise their outdated technology, tools and implements in order to enable them to compete with the large scale industries.
6. Rural entrepreneurs must be provided with adequate infrastructural facilities.
7. Industrial sheds can be constructed in the rural areas to accommodate rural entrepreneurs and can be provided with all facilities in this shed.
8. Rural entrepreneurs have to improve the quality of their products in order to compete with similar other units and also with the large scale industries.
9. Industrial co-operatives can be set up on the same lines of Primary agricultural co-operatives in rural areas in order to provide marketing support for the products of rural entrepreneurs, to supply raw materials to the rural industries and to free them from the exploitation of middlemen.

## **CONCLUSION**

Rural industries play an important role in the national economy, particularly in the rural economy. Rural entrepreneurship is important not only as a means of generating employment opportunities in the rural areas with low capital cost and raising the real income of the people, but also its contribution to the development of agriculture and urban industries. Without rural industrialization, it would not be easy to solve the problem of unemployment in rural areas. Rural entrepreneurship can be considered one of the solutions to reduce poverty, migration, economic disparity, unemployment and develop rural areas and backward regions.

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