

AMELIORATION OF RURAL ECONOMY THROUGH RURAL ENTREPRENEURSHIP

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Abstract

This study tries to determine the best strategies and obstacles for revitalizing rural India's economy after decades of decline. A simple definition of rural entrepreneurship is the beginning of an economic (manufacturing, commerce, or service) activity in a rural area by an entrepreneur. "Village industries or Rural industry" is defined by KVIC (Khadi and Village Industry Commission) as "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 the thousand rupees."

For a country like India where agriculture plays a deciding role in the prospects of the country, it is extremely important to give a significant amount of attention to this area. In the last 15 years the rural economy has shown a declining trend that has negatively impacted the rural economy and has also put the financial burden on the Indian economy as a whole.

Rural entrepreneurship can help India get back on track, particularly in the wake of the Covid-19 pandemic. An entrepreneur would not just create a business in a rural area to make money, but it would also have many other positive effects, such as the creation of jobs and an improvement in the level of living. The rural migration that contributed to human problems during the lockdown would also decrease as a result. They wouldn't have gone to the cities in the first place if they had the opportunity to find employment in their rural communities.

Therefore, it is time to come up with a comprehensive rural entrepreneurship strategy to stimulate rural entrepreneurship by

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encouraging the rural youth by providing fiscal impetus, and initiating a comprehensive policy to skill them with the relevant trending skills, training and development.

This paper explores the current state of rural entrepreneurship and government initiatives for the development of rural entrepreneurship. Besides this it also explains the significance and difficulties faced by rural entrepreneurs as these problems may be carefully identified and rectified so that the resources available there are exploited which will also lower the migration of people from rural regions.

Keywords

Entrepreneurship, employment generation, rural development, schemes.

Introduction

“India lives in its villages – Mahatma Gandhi”

According to [macro-trends.net](https://www.macro-trends.net), 65.53% of Indians reside in rural areas, which are considered to be the heart of the country. India has a huge rural population, thus the improvement of rural areas and the quality of life for rural residents have a significant impact on the country’s economic development. The nation’s income, particularly in terms of rural development, is significantly influenced by rural entrepreneurship or rural industries.

The term “rural entrepreneurship” was originally used in the 1980s; since then, it has developed into a lively area of study that is still in its infancy. It is characterized as a force with the capacity to create and construct something out of essentially nothing and that deploys resources to satisfy unmet market demand. It is the process of creating value by putting a certain combination of resources together to take advantage of an opportunity. Rural entrepreneurship is defined as the emergence of entrepreneurship in rural areas as a result of fostering innovation, invention, and development through the production of low-cost manufactured goods, the promotion of exports, and the creation of jobs for 100 million citizens, all of which contribute to “Sustainable Economic Development.”

In India 70% (approx.) of the total workforce is dependent on agricultural work. It is believed in rural areas that youths have very little option for other occupations. This is the reason why many of them either work on farms or migrate to urban land. So, there is a need to plant other options in the minds of rural youth. So, Rural Entrepreneurship could be the best option. Rural Entrepreneurs focus on building a new organization that produces new products or provides new services, creates or serves a new market, or utilizes new technology in a rural environment. This is why Rural Entrepreneurship could be the best option for the resuscitation and development of the rural economy if it is planted and nurtured perfectly in the minds of rural women and youth, it could also result in revolutionizing the Indian economy.

Establishing industrial and business units in rural areas refers to rural entrepreneurship. Rural Entrepreneurship is one of the most significant factors in

the economic development of the country. Rural Entrepreneurship can be considered as one of the solutions to amelioration of the rural economy as it can help in reducing poverty, migration, economic disparity, unemployment and developing rural areas and backward regions.

The outbreak of COVID – 19 pandemic has posed a serious challenge to saving the lives and livelihoods of people across the world. The containment measures of the pandemic such as lockdowns have caused a major shift in ensuring economic activities. Reverse migration of millions of workers from urban areas back to their villages has created pressure on rural labor markets. This has led to over-dependency on subsistence agriculture in rural areas causing disguised unemployment. So, it is important to create employment opportunities outside agriculture to reduce dependence on subsistence agriculture.

The Centre for Monitoring Indian Economy (CMIE) website reported that from February to April of 2020, the rate of rural unemployment rose sharply from 7.34% to 22.89%, with only a tiny decline in numbers by the end of May. Reverse migration of Indians from urban to rural regions is the main cause of the rise in rural unemployment. The epidemic, which caused this reverse migration from urban to rural regions, added to the uncertainty of the migrants because they didn't know when things would return to normal and they would be able to continue working in urban areas. This uncertainty is the reason why governments and civil society organizations need to keep a greater focus on the part of employment generation opportunities within rural areas.

Review of Literature

There are various studies and surveys, which indicate, continuous engagement in the area of rural entrepreneurship. A brief discussion of some of them is as follows.

A study by Kushalakshi, Dr. A. Raghurama on Rural entrepreneurship a catalyst for rural development (2017) in this study researcher wants to know the importance of rural entrepreneurship. The conclusion of this research is rural industries play an important role in the national economy, particularly in the rural economy. Rural entrepreneurship is important not because it only generates employment opportunities with low capital cost and raises the real income of the people, but also because it contributes to the development of agriculture and urban industries.

Ilahi, Saud conducted a study on Rural Entrepreneurship: the current scenario in India. This paper focuses on the status of the rural economy, rural entrepreneurship

contributes to the development of the backward region by generating employment opportunities, halting the migration of rural youth ,manufacturing output, developing infrastructure, and raising the standard of living thereby removing poverty. Entrepreneurial activities have enhanced in rural areas with the passage of time, but still it is far less appropriate in urban areas.

A study on the Impact of migration of the labor force due to the global covid-19 pandemic with reference to India by Anup Khanna studied about the effect of pandemic like COVID-19 on the migrant population. In this study he also had discussed the lockdown and social distancing measures are drying up jobs and income, whereas they are likely to disrupt agriculture production, transportation systems and supply chains on the other.

The importance and challenges of rural entrepreneur in India startup by Jhon MangMuanLianZou and G.P Prasain concluded that the challenges of rural entrepreneurs can be tackled, to a certain extent, by developing entrepreneurship in rural India. And with the initiation of Startup India, there is an urgent need for rural entrepreneurs in India.

A study by Nair Kshetri on Fostering Startup Ecosystems in India (2016) concluded that the government domination over the national economy is gradually declining and this shows that the country is moving ahead towards a market-oriented system.

Design of the Study

The data required for the present study has been collected from various sources and is mainly based on secondary data available. These data are collected from various sources such i.e. magazines, newspapers, journals, books, and various other publications. The present study is descriptive in nature.

Objective of the Study

- To study the initiative taken by the government for the development of rural economy.
- To study the problem and challenges faced by rural entrepreneurship.
- To identify the significance of rural entrepreneurship for rural development.
- To provide suggestions for the development of rural entrepreneurship in India.

Explanation of the Study

Rural Entrepreneurship can be one of the solutions for employment generation and revival of the economy and for this government has also taken certain

initiatives. Some of the initiatives taken by the government for the development of rural economy are:-

Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

Under this scheme from the year 2015 to 30th November 2020, 317 clusters have been approved with a GoI grant worth Rs.736.67 crore that will benefit about 1.88 lakh artisans. 124 SFURTI clusters have been approved during the period January 2020 to November 2020.

Prime Minister's Employment Generation Programme (PMEGP)

PMEGP was launched in 2008-09, since then till 30th November, 2020 it has employed an estimated 53 lakh persons. This program has assisted a total of about 6.25 lakh micro enterprises with a margin money subsidy of Rs 14,500 crore.

Khadi and Empowering Village Industries

Khadi and Village Industries Commission (KVIC) has launched New Products such as Khadi Rumal for rehabilitating the women artisans of militancy affected by Nagrota of J&K for popularizing Khadi and Empowering Village Industries and making women to be self-reliant.

Atma Nirbhar Bharat Initiatives

i) Distressed Assets Fund -Subordinate Debt for MSMEs-Credit Guarantee Scheme Sub Debt (CGSSD):

- To provide equity support to the stressed MSMEs, the Government of India has launched a subordinate debt with the GoI assistance of Rs.4000 crore, provisioning of Rs.20,000 crore as subordinate debt on 24th June, 2020. In the last year up to November 2020, guarantee to 121 borrowers amounting to Rs. 12.49 crore have been extended.

ii) Fund of Funds Scheme for MSMEs: • The Guidelines of Self-Reliant India (SRI) Fund (Fund of Funds for MSMEs Scheme) has been issued on 5th August 2020 for MSMEs with a corpus of Rs10,000 crore, which will leverage equity infusion of Rs.50,000 crore.

Besides these schemes there are many other initiatives/schemes as:-

- Rural Industry and Entrepreneurship (ASPIRE)
- Credit Guarantee Scheme for Micro and Small Enterprises (CGTMSE)
- Scheme for Micro & Small Enterprises Cluster Development Programme (MSECDP)
- Entrepreneurship and Skill Development Programme (ESDP)
- Scheme for providing financial assistance to Khadi institutions under MPDA
- Financial Support to MSMEs in ZED certification

Women's business ownership is essential to the development of rural communities. Rural entrepreneurship can give rural women new business options, support general growth, and lessen poverty. Although women's contributions to the development of developed rural areas have been significant, it has been observed that in rural India, women are constantly subject to restrictions or, in other words, are controlled by society for taking any such actions. This is why women in rural regions confront several difficulties and obstacles, but the growth of rural entrepreneurship is necessary for the development of the rural economy.

Significance of Rural Entrepreneurship

The importance of rural entrepreneurship is briefly highlighted as follows:

1. Provides employment opportunities:

Rural entrepreneurship is labor-intensive and provides a significant number of rural residents with employment options. The growing issue of widespread unemployment and underemployment in rural India is clearly addressed by rural entrepreneurship.

2. Check on the migration of the rural population

For a variety of reasons, such as generating revenue, looking for a suitable job, utilizing facilities, etc., rural populations migrate to metropolitan areas. Infrastructure including roads, power plants, bridges, and other facilities will be built or introduced by rural entrepreneurship. It lessens the income gaps and differences between rural and urban communities. Rural entrepreneurship can stop rural residents from moving to urban regions in pursuit of employment.

3. Balanced regional development

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

4. 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.

5. Check on social evils

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

6. Awaken the rural youth

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

7. 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.

8. Proper utilization of local resources

Rural industries aid in the best possible use of regional resources, such as labor and raw materials, for productive purposes and so boost productivity. The overall economic development of a region is a result of entrepreneurs' efficient and productive utilization of scarce resources.

9. Earnings of foreign exchange

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

10. 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.

Challenges of Rural Entrepreneurship

Despite of various schemes and packages provided by the government for the development of Rural Entrepreneurs still entrepreneurs at the rural level face lots of challenges and problems day after day. Some of the important challenges and problems are being discussed as follows:

- 1. Financial Problems:** Finance is the lifeblood of a company; without it, no company can function properly. The majority of rural company owners struggle to secure funding for their enterprises. This is because the market lacks sufficient security (collateral) and credit. Rural entrepreneurs frequently feel let down by the organized sector loan application process since it is so difficult and time-consuming. As a result, the local money lenders, who charge outrageous interest rates, take advantage of many rural entrepreneurs.
- 2. Lack of Infrastructural Facilities:** Because rural locations typically lack enough infrastructure, it can be challenging for rural business owners to efficiently execute a variety of industrial activities. Despite several government initiatives, the development of rural entrepreneurs is not very healthy since there are insufficient and proper infrastructure facilities.
- 3. Lack of Technical Knowledge:** Rural entrepreneurs suffer from the severe problem of lack of adequate knowledge of entrepreneurial opportunities.

The lack of training facilities is a hurdle to the development of rural entrepreneurship. Generally rural youth lack managerial, professional, and technical know-how which is a barrier to entrepreneurship.

4. **Competition:** Large corporations and metropolitan business owners present fierce competition for rural entrepreneurs. Due to high input costs, they have to bear a high cost of production. They primarily struggle with issues related to product branding and standardization. Due to competition from large-scale units, it is harder for new initiatives to survive.
5. **Middlemen:** Rural entrepreneurs are highly exploited by middlemen because of their heavy dependence on middlemen for marketing of their products who pocket large amounts of profit. Often rural entrepreneurs are betrayed by offering low prices for their goods.
6. **Procurement of Raw Materials:** Consumers are considered as the king and in the present scenario consumers are more sensitive to the quality of the products. But the rural entrepreneurs are unable to provide quality products due to poor quality of raw materials and lack of standardized tools and equipment.
7. **Non availability of skilled laborers:** Most rural entrepreneurs are unable to find skilled laborers and professional personnel as these people prefer to work in big cities due to high salaries than in rural areas.

Suggestions

- The financial institutions and banks which provide financial aid to entrepreneurs must create special cells for providing easy funds to rural entrepreneurs.
- Rural entrepreneurs should be given leniency in the formalities while providing the loans and these loans should be provided at concessional rates of interest with an easy repayment clause.
- Training is essential for the development of entrepreneurship skills. This will enable rural entrepreneurs to undertake the venture successfully as it imparts the required skills to run the enterprise.
- There should be special and separate financial assistant funds for rural entrepreneurs provided by the government and these funds should be readily available.
- Incitement and assistance should be provided for setting up marketing co-operatives by rural entrepreneurs. Establishing these co-operatives shall help the rural entrepreneur in getting the inputs at a reasonable rate and these co-operatives can also help them in selling their products at remuneration prices.

- Proper and adequate infrastructure facilities should be provided so that industrial activities can run smoothly. For this government has passed certain provisions in its budget to grow strong infrastructure across the nation.
- Modernization of technology is very much essential. Sufficient financial support must be given by the banks, financial institutions and government to modernize the outdated technology, tools and implements in order to enable them to compete with the large scale industries and urban entrepreneurs.
- In order to compete with large-scale industries, rural entrepreneurs have to improve the quality of raw materials used in products.

Conclusions

Rural entrepreneurship is crucial to the growth of the national economy, and especially the rural economy. Rural entrepreneurship is crucial for the development of agriculture and urban industries as well as the rural economy since it creates jobs and increases people's real incomes. It would be more challenging to address the issue of rural unemployment without rural industrialization. Rural entrepreneurship is one way to transform a developing nation into a developed one. One way to combat rural poverty, emigration, economic inequality, and unemployment is through rural entrepreneurship. It can also help rural communities and underdeveloped regions grow. Therefore, the creation of such integrated rural development programs should be prioritized. Kids in rural areas should be encouraged to pursue entrepreneurship as a career with the aid of adequate training and ongoing support systems. Grading and standardization should be encouraged in rural sectors, and promotional efforts should be strengthened, in order to compete with large-scale businesses.

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