

# Rural Development through Entrepreneurship

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**Abstract - Rural entrepreneurship is now a day's providing opportunities to the people who are moving to cities for job or for any other reason for their livelihood. Our rural areas are having abandon natural resources but along with that that many obstacles also in terms of lack of primary amenities like education, financial problems, and insufficient technical and conceptual ability. Therefore it is paving problems for the rural entrepreneurs to establish industries in the rural areas and to be sustainable for long term. This paper makes an attempt to find out the Obstacles and Opportunities for the potentiality of Rural Entrepreneurship. It also focuses on the major problems faced by rural entrepreneurs especially in the fields of Marketing of products, financial services and basic and other primary amenities, i.e. availability of electricity, water supply, transport facilities and required energy etc. This paper makes an attempt to find out the strengths and opportunities for the potential rural entrepreneurs.**

**Keywords: Rural Entrepreneurship, Strengths, opportunities, constraints, rural, amenities.**

## I. INTRODUCTION

### *Concept of Entrepreneurship*

Entrepreneurship is the process to start a business by taking risk. The entrepreneur develops a business plan, acquires the men, material, machines, money and other required resources, and is held responsible for success or failure of his venture.

### *Rural Entrepreneurship in India*

Rural development can be done through entrepreneurship. In country like India, the developments are touching its own heights here the entrepreneurs plays a big role in central force of economic growth and development, without it other factors of development will be wasted. For rural development along with entrepreneurship and advancement of rural enterprises what is required is additional environment which will help entrepreneurship in rural areas. These environments are largely depends on governments policies for promoting rural entrepreneurship.

75 per cent of the world's poor population live in rural areas and just 25 percents of population live in urban area even though most attention and policies are framed to develop urban area. As a results unfavourable effects can be seen on both rural and urban people. So, What is required is that to remove this disparities by taking some strong measures and develop some policies to reduce poverty.

Most of the rural population depends for their livelihood on small-scale business of food crop agriculture, fishery, pastoral animal husbandry or rural wage labour. They are engage in working on their small areas of land with low agricultural productivity, volatile weather conditions and soil erosion and scarcity of enough and timely water facility. As a result the rural non-farm economy plays an important role for wealth creation and well-being across countries.

Here it is important that rural entrepreneurship and urban entrepreneurship are one and the same they do not differ in their substances. Rural Entrepreneurship is unique blend of resources, either directly or indirectly related to 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.

Thus, a rural entrepreneur is someone who stays in the rural area and contributes to the creation of rural wealth. The economic goals of an entrepreneur and the social goals of rural development are more strongly interlinked than in urban areas.

The basic principles of entrepreneur which applied the rural development are:

- Optimum utilization of local resources in an entrepreneurial venture by rural population - Better distributions of the farm produce results in the rural prosperity.

- Entrepreneurial occupation rural population to reduce discrimination and providing alternative occupations as against the rural migration.
- To activate such system to provide basic '6 m'- manpower, money , material, machinery, management and market to the rural population.

## II. OBJECTIVES

- To know the various types of rural entrepreneurship.
- To study the challenges faced by Rural Entrepreneurship
- To study the Opportunities and prospects for Rural Entrepreneurs
- To study Involvement of Government for Rural Entrepreneurship Development

## III. 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

*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.

*Forest Based Industries:* - These industries include wood products, coir industry, honey making, bamboo products, etc.

*Mineral Based Industry:* - These include stone crushing, cement industries, wall coating powders etc.

*Textile Industry:* - These include weaving, colouring, spinning and bleaching.

*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.

*Engineering and services:* - These include agricultural equipments, tractors and pump sets, repairs etc

### *Challenges faced by Rural Entrepreneurship in India*

*Family Challenges:* opting business as a career than doing job convincing to opt for business over job is easy is not an easy task for an individual. The first thing compared is – Will you make more money in the business of your choice or as a successor of family business. This is where it becomes almost impossible to convince that you can generate more cash with your passion than doing what your Dad is doing.

*Social Challenges:* Family challenges are always at the top because that is what matter the most but at times social challenges also are very important. Let us say you and your friend graduated at the same time. You opted for entrepreneurship and your friend opted for a job. He now has a flat, car and what not because he could easily get those with a bank loan but you still have nothing to show off and this is where the challenge comes.

*Technological Challenges:* Indian education system lags too much from the Job industry as a whole but then it lags even more when it comes to online entrepreneurship. What technology would be ideal and how to use that technology effectively?

*Financial Challenges:* (Difficulty in borrowing fund): Financial challenges are a lot different in India especially for online entrepreneurs. When you are starting out as an entrepreneur you don't opt for venture funding but try to go to funding for small to medium business people. Many such non-technical business people don't understand the online business models as a whole and so getting an initial business funding from them becomes challenging. The other option you can think of is a loan but bank loan is not at all an option in India for new online entrepreneurs.

*Policy Challenges:* Now and then there is lots of changes in the policies to change in the government. Problems of TRIPS and TRIMS. Problems of raising equity capital, Problems of availing raw-materials, Problems of obsolescence of indigenous technology Increased pollutions Ecological imbalanced. Exploitation of small and poor countries etc.

### *B. Other Challenges for Rural Entrepreneurs*

- Growth of Mall Culture
- Poor Assistance
- Power Failure

- Lack of Technical know how
- Capacity Utilization
- Infrastructure Sickness

#### *Opportunities Rural Entrepreneurs*

- Free entry into world trade.
- Improved risk taking ability.
- Governments of nations withdrawn some restrictions
- Technology and inventions spread into the world.
- Encouragement to innovations and inventions.
- Promotion of healthy completions among nations
- Consideration increase in government assistance for international trade.
- The establishment of other national and international institutes to support business among the nations of the world.
- Benefits of specialization.
- Social and cultural development Brijesh Patel International Journal of Advance Research in Computer Science and Management Studies
- Crashed Scheme for Rural Development
- Food for Work Program
- National Rural Employment Program
- Regional Rural Development Centres
- Entrepreneurship Development Institute of India
- Bank of Technology
- Rural Innovation Funding
- Social Rural Entrepreneurship.

#### *PROSPECTS OF RURAL MARKETS*

The Indian growth story is now spreading itself to India's hinterlands. The rural consumer market, which grew 25 per cent in 2008, is expected to reach US\$ 425 billion in 2010-11 with 720-790 million customers, according to a white paper prepared by CIITechnopak, in November 2009. The figures are expected to double the 2004-05 market size of US\$ 220 billion. The Union Budget for 2010-11 has hiked the allocation under the National Rural Employment Guarantee Act (NREGA) to US\$ 8.71 billion in 2010-11, giving a boost to the rural economy.

**FMCG SECTOR:** According to figures released by market researcher Nielsen, demand for personal care products grew faster in rural areas than urban areas during the period January –May 2010.

In shampoos, rural demand grew by 10.7 per cent in value terms, while in urban markets, it rose by 6.8 per cent. Similarly, toothpaste sales grew by 9.1 per cent in rural India and by 4.4 per cent in urban markets. Several fast moving consumer goods (FMCG) companies such as Godrej Consumer Products, Dabur, Marico and Hindustan Unilever (HUL) have increased their hiring in rural India and small towns in order to establish a local connect and increase visibility. Swiss FMCG giant, Nestle plans to make further inroads into the rural markets. The company has asked its sales team to deliver "6,000 new sales points every month in rural areas" to expand its presence in Indian villages, according to Antonio Helio Waszyk, Chairman and Managing Director, Nestle India.

**RETAIL SECTOR:** The rural retail market is currently estimated at US\$ 112 billion, or around 40 per cent of the US\$ 280 billion Indian retail market, according to a study paper, 'The Rise of Rural India', by an industry body. Hindustan Unilever (HUL) is planning to significantly increase its rural reach. According to Harish Manwani, Chairman, HUL, the quality and quantity of rural coverage will go up to the extent that "what we have done in the last 25 years we want to do it in the next two years." Currently HUL products reach approximately 250,000 rural retail outlets and the company intends to scale it up to nearly 750,000 outlets in two years time. Direct selling firm Tupperware India, known for its storage containers plans to foray into the rural markets in the next two-three years. "We have solid plans for the rural market. We are working on bringing products for rural people as well," said Asha Gupta, Managing Director, Tupperware India. Castrol India is pushing its rural sales by building up a distribution infrastructure to reach out to all villages. According to Ravi Kirpalani, Chief Operating Officer, Castrol India, "Our distribution now reaches 5,000- 7,000 towns and villages, but we are planning to take our products to six lakh villages with a population of less of 5,000."ZENITH International Journal of Business Economics & Management Research

**AUTOMOBILE SECTOR:** Car sales in rural India have been on the increase in the last three years since the government announced various schemes such as farm loan waiver etc, for the rural population. Maruti Suzuki's share of rural sales has increased from 3.5 per cent to 17 per cent in the last three years. Mahindra & Mahindra

(M&M) is now selling more Scorpios in rural and semi-urban markets. Scorpio sales have increased from 35 per cent to 50 per cent in the last two years. Toyota Kirloskar Motor (TKM), in which Japan's Toyota Motor Corp holds an 89 per cent controlling stake, is planning at selling 40 per cent of its cars in rural markets in India. According to Hiroshi Nakagawa, Managing Director, TKM, "We are aggressively expanding our dealership footprint in India and quite a significant portion of this will be in country's heartland. By end of 2010, we plan to have 150 dealers across the country." Yamaha is also planning a major initiative in rural India by launching more models in the affordable price range in 2010. "We are very strong in Tier 1 and Tier II cities. Now onwards, our focus will be rural India (Tier III towns). We will launch more models in the affordable price range to dominate the rural market," according to Pankaj Dubey, National Business Head, India Yamaha Motor. At present, around 15 per cent of its sales come from the rural market and Dubey sees this demand increasing substantially in 2010. Tata Motors is also making efforts to sell its pickup truck Ace in rural markets. It has already opened 600 small outlets for the Ace in rural and semi-urban markets. It has also tied up with 117 public sector, gramin (rural) and co-operative banks to help small entrepreneurs buy the vehicle.

#### *Involvement of Government*

- 1) National Agricultural and rural development Bank ( NABARD)
- 2) Small industries Bank of India
- 3) Government Schemes to enhance rural entrepreneurship

Rural entrepreneur development programme (REDP) Government Support An entrepreneur requires a continuous flow of funds not only for setting up of his/ her business, but also for successful operation as well as regular up gradation/ modernization of the industrial unit. To meet this requirement, the Government (both at the Central and State level) has been undertaking several steps like setting up of banks and financial.

The government of India has been taking active steps to promote entrepreneurship in various industry institutions; formulating various policies and schemes, etc. All such measures are specifically focused towards the promotion and development of small and medium enterprises. & service sectors. It has declared several policy measures and is implementing schemes and programmes to enhance the global competitiveness of small enterprises across the country. Government Support Coir Board -Khadi and Village Industries Commission (KVIC) } National Small Industries Corporation Ltd (NSIC) } Micro, Small and Medium Enterprises Development Organization (MSME-DO) } The Ministry of Micro, Small and Medium Enterprises is the nodal Ministry for formulation of policies, programmes and schemes, their implementation and related co- ordination, for the promotion

*Micro, Small and Medium Enterprises Development Organization (MSME-DO):-* the Office of the Development Commissioner (Micro, Small and Medium Enterprises) [earlier known as the O/o the DC (SSI)] is also known as Micro, Small and Medium Enterprises- Development Organization (MSME-DO). It is the apex body for assisting the Government in formulating, coordinating, implementing and monitoring policies and programmes for micro, small and medium enterprises (MSMEs) in the country. MSME-DO provides a comprehensive range of common facilities, technology support services, Marketing assistance, entrepreneurial development support, etc.

*National Small Industries Corporation Ltd (NSIC):-* was established by the Government with a view to promoting, aiding and fostering the growth of micro, small and medium enterprises in the country, with a focus on commercial aspect of their operations. It implements several schemes to help the MSMEs in the areas of raw material procurement, product Marketing, credit rating, acquisition of technologies, adoption of improved management practices

The other important policies for the sector relate to:

- I. Excise duty
- II. Foreign direct investment approval
- III. Labour laws

*Excise duty-* Value of Clearance (Rs.) Rate of duty Remarks Up to 100 Lakhs 60% of normal rate Cenvat credit is of duty available from the beginning itself 100-300 Lakhs Normal rate of duty Can avail Cenvat Rate of duty in respect of Clearances of Specified goods Rate of duty in respect of Clearances of Specified goods Value of Clearance (Rs.) Rate of duty Remarks Up to 100 Lakhs Nil Not to avail Cenvat 100-300 Lakhs Normal rate of duty Can avail Cenvat Rate of duty in respect of Clearances of Excisable Goods.

*Foreign direct investment approval*- For setting up a unit in an Export Processing Zone (EPZ), application has to be filed with the Development Commissioner of the concerned EPZ. Applications for setting up a 100% Export Oriented Unit are also required to be filed with the SIA. For foreign investment outside the automatic route, clearance has to be obtained from Foreign Investment Promotion Board (FIPB). Investors need to file an application with the Reserve Bank of India (RBI) in the prescribed format and approval is ordinarily granted within 15 days. There is no restriction on the extent of equity that can be held by a Non-resident Indian (NRI) as an individual/partner in a SSI unit. If the equity goes beyond 24%, the industrial unit loses its SSI status. Up to 24% equity in a SSI unit

*Labour Laws* - Exemption from Furnishing Returns. The Inter-state Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979. The Industrial Employment (Standing Orders) Act, 1946.

- The Industrial Disputes Act.
- The Factories Act, 1948.
- Equal Remuneration Act, 1976.
- Employment Exchange (Compulsory Notification of Vacancies) Act, 1959.
- Labour laws & The Shops and Establishments Act, 1953.
- The Sales Promotion Employees (Conditions of Service) Act, 1976.
- Maintaining Registers by Certain Establishments) Act, 1988.
- Trade Child Labour (Prohibition Bonded Labour System (Abolition) Act, 1976
- The Bidi and Cigar Workers (Conditions of Employment) Act, 1966
- Apprentices Act, 1961
- The Weekly Holidays Act, 1942
- Workmen's Compensation Act, 1923
- Union Act, 1926 & The Contract Labour (Regulation
- The Children (Pledging of Labour) Act, 1933
- Regulation) Act, 1986 & The Payment of Wages Act, 1936 9
- The Payment of Gratuity Act, 1972
- The Payment of Bonus Act, 1965
- The Minimum Wages Act, 1948
- Maternity Benefit Act, 1961
- Employers Liability Act, 1938
- Employees State Insurance Act, 1948
- The Employees Provident Funds and Misc. Provisions Act, 1952
- Abolition) Act, 1970

Besides, several schemes and programmes have been undertaken by the Government with the aim of facilitating access to:-

- i. Adequate credit from Schemes and Programmes: Financial institutions;
- ii. Funds for technology up gradation and modernisation;
- iii. Integrated infrastructural facilities;
- iv. Modern testing facilities and quality certification laboratories;
- v. Modern management practices, entrepreneurship development and skill up gradation through appropriate training facilities; etc. The schemes so announced include:-
  - Raw Materials Procurement Support
  - Equipment Leasing Scheme
  - Export Development Finance
  - Working Capital Finance
  - Bill Financing
  - National Small Industries Corporation Ltd (NSIC) schemes for small scale industries relate to: - Marketing Single Point Registration Scheme and other services.
  - Stores Purchase Programme
  - Assistance Programme and Exports Assistance

#### IV. CONCLUSION

Rural entrepreneurship programmes must be carried in such way so that it can be opted by rural youth as a career. Introduction of policies of government among rural youth to raise innovation level. Various incentive

monitory and subsidies should be given to rural entrepreneurs. Some farmers do not plant certain type of crop in their farm land therefore government has planned to give them subsidies and higher market value if they plant particular crop.

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